NEW ISSUE
BOOK-ENTRY ONLY

Moody's: "A3"
S&P: "A-"
See **"RATINGS"** herein

In the opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel, assuming continuing compliance with certain tax covenants, the interest on the Series 2009B Bonds is excluded from gross income for federal income tax purposes and is not subject to the federal alternative minimum tax on individuals under existing statutes, regulations, rulings and court decisions. However, see "TAX MATTERS" herein for a description of the alternative minimum tax imposed on corporations and certain other federal tax consequences of ownership of the Series 2009B Bonds. Bond Counsel is further of the opinion that the Series 2009B Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein. See "TAX MATTERS" herein.

$85,850,000
BREVARD COUNTY HEALTH FACILITIES AUTHORITY
Health Facilities Revenue Bonds, Series 2009B
(Health First, Inc. Project)

Dated: Date of Delivery **Due: As Shown Below**

Consisting of:

$4,985,000 7.00% Term Bond	**due April 1, 2033, Yield 7.02%**	**CUSIP No. 10741LBW5**
$80,865,000 7.00% Term Bond	**due April 1, 2039, Yield 7.10%**	**CUSIP No. 10741LBX3**

The Series 2009B Bonds will mature on the dates and will bear interest at the rates per annum shown above. Interest on the Series 2009B Bonds is payable on each April 1 and October 1, commencing October 1, 2009. The Series 2009B Bonds will be fully registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2009B Bonds will be made in book-entry only form. The Series 2009B Bonds will be issued in denominations of $5,000 and integral multiples thereof. Purchasers of a beneficial interest in the Series 2009B Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Series 2009B Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2009B Bonds are being issued by the Brevard County Health Facilities Authority (the "Issuer") pursuant to a Bond Trust Indenture dated as of July 1, 2009 (the "Bond Indenture"), between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee. The Issuer will loan the proceeds of the Series 2009B Bonds to Health First, Inc. ("Health First") pursuant to a Loan Agreement dated as of July 1, 2009 (the "Loan Agreement"), primarily for the purposes of (i) financing part of the cost of acquisition, construction and equipping of certain capital improvements to the health facilities of the Obligated Group (as hereinafter defined), (ii) funding a debt service reserve fund and (iii) paying certain costs with respect to the issuance of the Series 2009B Bonds.

The Series 2009B Bonds are secured by and are payable solely from (i) payments or prepayments by Health First, Holmes Regional Medical Center, Inc. and Cape Canaveral Hospital, Inc. (collectively, the "Obligated Group") on Health First Obligated Group – Health First, Inc. Obligation No. 12 (2009B Financing) (the "Series 2009B Obligation") issued pursuant to a Master Trust Indenture (Security Agreement) dated as of May 15, 2001, as amended and supplemented (the "Master Indenture"), among the Obligated Group and Wells Fargo, N.A., successor to SunTrust Bank, as Master Trustee and (ii) certain amounts on deposit with the Bond Trustee under the Bond Indenture. The Series 2009B Obligation is secured by a pledge of the Revenues of the Members of the Obligated Group, a mortgage on certain property of the Obligated Group and other moneys pledged under the Master Indenture on a parity with certain other Obligations issued pursuant to the Master Indenture. See "SECURITY FOR THE SERIES 2009B BONDS" herein

THE SERIES 2009B BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE ISSUER UNDER ITS LOAN AGREEMENT WITH THE BORROWER, INCLUDING PAYMENTS MADE BY THE OBLIGATED GROUP ON THE SERIES 2009B OBLIGATION ON A PARITY WITH ALL OTHER OBLIGATIONS OUTSTANDING UNDER THE MASTER INDENTURE AS DESCRIBED HEREIN, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE ISSUER AS AFORESAID. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR TAXING POWER OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2009B BONDS. THE ISSUER HAS NO TAXING POWER.

The Series 2009B Bonds will be subject to mandatory sinking fund redemption, optional redemption and extraordinary optional redemption in the event of damage, destruction or condemnation and upon the occurrence of certain other events, as described herein.

The Series 2009B Bonds offered by this Official Statement are offered when, as and if issued and accepted by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approval of legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Angela A. Abbott, P.A., Titusville, Florida, for Health First, Inc. and Holmes Regional Medical Center, Inc. by David Mathias, Esquire, Rockledge, Florida, for Cape Canaveral Hospital, Inc. and the Cape Canaveral Hospital District by Walter T. Rose, Jr., P.A., Cocoa Beach, Florida, and for the Underwriters by Foley & Lardner LLP, Jacksonville, Florida. AMS Capital Advisors, Inc., Jacksonville, Florida, is acting as financial advisor to the Obligated Group. It is expected that delivery of the Series 2009B Bonds in definitive form will be made against payment therefor in New York, New York on or about July 1, 2009.

Merrill Lynch & Co. **Morgan Stanley**

Dated: June 18, 2009.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Issuer, the Obligated Group or the Underwriters to give any information or to make any representations with respect to the Series 2009B Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Issuer has not prepared or made any independent investigation of any information in this Official Statement except with respect to the information under the headings **"INTRODUCTION," "THE ISSUER"** and **"LITIGATION – The Issuer"** and takes no responsibility for any other information contained in this Official Statement. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2009B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion set forth herein are subject to change without notice, and neither the delivery of this Official Statement nor any 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The CUSIP number is included in this Official Statement for the convenience of the holders and potential holders of the Series 2009B Bonds. No assurance can be given that the CUSIP number will remain the same after the date of issuance and delivery of the Series 2009B Bonds.

THE SERIES 2009B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND INDENTURE OR THE MASTER INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2009B BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2009B BONDS, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN THE SERIES 2009B BONDS, AND THE IMPOSITION OF A PENALTY BID IN CONNECTION WITH THE OFFERING. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "forecast," "project" or similar words. Such forward-looking statements are included in, among other portions of this Official Statement, **"ACTUAL AND PRO FORMA DEBT SERVICE COVERAGE"** and **"BONDHOLDERS' RISKS"** herein and **"HISTORICAL UTILIZATION AND OCCUPANCY - Utilization Statistics for the Hospitals"**, **"HISTORICAL UTILIZATION AND OCCUPANCY - Utilization Statistics for the Combined Group"**, **"SELECTED FINANCIAL INFORMATION FOR THE OBLIGATED GROUP – Actual and Pro Forma Debt Service Coverage", "SELECTED FINANCIAL INFORMATION FOR THE OBLIGATED GROUP – Capitalization"** and **"MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE"** 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 which 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. Health First, Inc. does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur.

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Table of Contents

OFFICIAL STATEMENT

relating to

$85,850,000
Brevard County Health Facilities Authority
Health Facilities Revenue Bonds, Series 2009B
(Health First, Inc. Project)

INTRODUCTION

The description and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements are qualified in their entirety by reference to each document. Until the issuance and delivery of the Series 2009B Bonds, copies of drafts of the documents described in this Official Statement may be obtained from Merrill Lynch & Co., on behalf of itself and as representative of Morgan Stanley & Co. Incorporated (collectively, the "Underwriters"), at 4 World Financial Center, New York, New York 10080. After delivery of the Series 2009B Bonds, copies of the executed documents will be available for inspection at the corporate trust office of Wells Fargo Bank, N.A., 301 E. Pine Street, Suite 1150, Orlando, Florida 32801. See **Appendix D** and **Appendix E** for definitions of certain capitalized words and terms used herein.

Purpose of this Official Statement. The purpose of this Official Statement is to provide information in connection with the offering of $85,850,000 in aggregate principal amount of the Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project) (the "Series 2009B Bonds") of the Brevard County Health Facilities Authority (the "Issuer").

Authorization. The Issuer is authorized under the Constitution and laws of the State of Florida, including particularly Part III, Chapter 154, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act"), to issue the Series 2009B Bonds to make a loan to Health First, Inc., a Florida not for profit corporation ("Health First"), for the purposes described herein.

Purpose of the Series 2009B Bonds. The Series 2009B Bonds are being issued for the purpose of making a loan to Health First, pursuant to a Loan Agreement dated as of July 1, 2009 (the "Loan Agreement"), to enable Health First to (1) pay or reimburse part of the cost of acquisition, construction and equipping of certain capital improvements to the health facilities of Health First and its affiliates, (2) fund a debt service reserve fund for the Series 2009B Bonds and (3) pay certain costs with respect to the issuance of the Series 2009B Bonds. A full description of the uses of the proceeds of the Series 2009B Bonds is included under the captions **"PLAN OF FINANCING"** and **"ESTIMATED SOURCES AND USES OF FUNDS."**

Health First and its Affiliates. Health First is a holding company whose primary purpose is to direct the affairs of a multi-entity health care system. Among other entities, Holmes Regional Medical Center, Inc. ("Holmes Corporation") and Cape Canaveral Hospital, Inc. ("CCH Corporation") are controlled affiliates of Health First. Holmes Corporation operates Holmes Regional Medical Center ("Holmes"), a 514-bed acute care hospital in Melbourne, Florida, and Palm Bay Hospital, a 60-bed acute care hospital in Palm Bay, Florida. CCH Corporation operates Cape Canaveral Hospital ("CCH"), a 150-bed acute care hospital and home health agency in Cocoa Beach, Florida. See **Appendix A** for a detailed description of Health First, Holmes Corporation, CCH Corporation, and other members of Health First's health care system.

The Series 2009B Bonds. The Series 2009B Bonds are being issued pursuant to a Bond Trust Indenture dated as of July 1, 2009 (the "Bond Indenture"), between the Issuer and Wells Fargo Bank, N.A., as trustee (the "Bond Trustee"). The Series 2009B Bonds will be subject to (i) mandatory sinking fund redemption, (ii) optional redemption and (iii) extraordinary optional redemption in the event of damage, destruction or condemnation and upon the occurrence of certain other events, as described in this Official Statement.

Security for the Series 2009B Bonds. The Series 2009B Bonds are secured by and are payable solely from (i) payments or prepayments by Health First, Holmes Corporation and CCH Corporation, as the initial members of the Obligated Group, of the Health First Obligated Group under the Health First, Inc. Obligation No. 12 (2009B Financing) (the "Series 2009B Obligation") issued pursuant to a Master Trust Indenture (Security Agreement) dated as of May 15, 2001, as amended and supplemented (the "Master Indenture"), among the members of the obligated group (the "Members of the Obligated Group" and collectively, the "Obligated Group") and Wells Fargo Bank, N.A., successor to SunTrust Bank, as master trustee (the "Master Trustee"), and (ii) amounts on deposit with the Bond Trustee under the Bond Indenture. The Series 2009B Obligation and all other Obligations issued under the Master Indenture are secured by a pledge of the Revenues of the Obligated Group and other moneys pledged under the Master Indenture. In addition, the Series 2009B Obligation and certain other Obligations issued under the Master Indenture are secured by a Mortgage and Security Agreement dated as of May 15, 2001, as supplemented by a Notice of Advance Relating to Mortgage and Security Agreement dated December 14, 2005 and a Notice of Advance Relating to Mortgage and Security Agreement dated the closing date (collectively, the "Mortgage"), each from Holmes Corporation to the Master Trustee. Payment of the principal of and interest on the Series 2009B Bonds is also secured by moneys deposited to the credit of the Debt Service Reserve Fund. The Debt Service Reserve Fund is required to be funded in an amount equal to the Reserve Requirement (as defined in **Appendix E** hereto). See **"SECURITY FOR THE SERIES 2009B BONDS"**.

THE SERIES 2009B BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE ISSUER UNDER ITS LOAN AGREEMENT WITH HEALTH FIRST, PAYMENTS MADE BY THE OBLIGATED GROUP ON THE SERIES 2009B OBLIGATION ON A PARITY WITH ALL OTHER OBLIGATIONS OUTSTANDING UNDER THE MASTER INDENTURE, AND WITH RESPECT TO THE SERIES 2009B OBLIGATION AND CERTAIN OTHER OBLIGATIONS, RECOURSE TO THE MORTGAGE, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE ISSUER AS AFORESAID. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR TAXING POWER OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2009B BONDS. THE ISSUER HAS NO TAXING POWER.

The Obligated Group and Master Trust Indenture. The Obligated Group currently consists of Health First, Holmes Corporation and CCH Corporation. Each of the initial Members of the Obligated Group is a Florida not for profit corporation and has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509(a) of the Code.

Currently, Viera Hospital, which is part of the Project, is owned by Holmes Corporation and the site therefor is owned by Health First and leased to Holmes Corporation. Health First has created a separate legal entity known as Viera Hospital, Inc. ("Viera Corporation") and upon completion and licensure of Viera Hospital, Health First and Holmes Corporation will transfer their respective ownership interests relating to Viera Hospital to Viera Corporation. In connection with such transfers, Health First has covenanted to add Viera Corporation as an Obligated Group Member under the Master Indenture. For more information regarding the composition of the Obligated Group, see **Appendix D** hereto.

To evidence the Obligated Group's obligations with respect to the Series 2009B Bonds, the Obligated Group will issue the Series 2009B Obligation to the Bond Trustee, pursuant to the Master Indenture. The terms of the Series 2009B Obligation will require payments by the Obligated Group which, together with other moneys available therefor (and the interest earned thereon), will be sufficient to provide for the timely payment of the principal and purchase price of, premium, if any, and interest on the Series 2009B Bonds. See **"SECURITY FOR THE SERIES 2009B BONDS"** herein and **Appendix D** for a summary of covenants relating to the maintenance of debt service coverage and limitations as to the ability to encumber property of the Members of the Obligated Group.

The Obligated Group has designated as restricted affiliates ("Restricted Affiliates") under the Master Indenture all of the entities included in Health First's audited consolidated financial statements other than Members of the Obligated Group. The Restricted Affiliates and the Members of the Obligated Group are collectively referred to as the "Combined Group". The Members of the Obligated Group covenant to cause the Restricted Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person (to the extent permitted by law or other governmental restriction) for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to any Obligations issued under the Master Indenture and to satisfy its covenants under the Master Indenture.

Rate Covenant. The Master Indenture requires each Member of the Obligated Group to set rates and charges for its facilities, services and products that will be sufficient to produce Income Available for Debt Service of at least 1.10 times Maximum Annual Debt Service (the "Long Term Debt Service Coverage Ratio") and prescribes procedures to be followed if the Long Term Debt Service Coverage Ratio is not met. For more information, see **"SECURITY FOR THE SERIES 2009B BONDS – The Master Indenture and the Series 2009B Obligation – *Rate Covenant*"** herein.

Additional Indebtedness. Additional Obligations on a parity with the Series 2009B Obligation may be issued by the Members of the Obligated Group for the purposes and upon the terms and subject to the conditions provided in the Master Indenture. Additional Obligations may be issued to secure additional bonds or other obligations issued by Health First or other Members of the Obligated Group. Subject to the conditions contained therein, the Master Indenture also permits the Members of the Obligated Group and other Affiliates to incur secured and unsecured indebtedness in addition to the Obligations, and to enter into Guaranties. See **"SECURITY FOR THE SERIES 2009B BONDS – The Master Indenture and the Series 2009B Obligation – *Additional Indebtedness"*** herein.

Financial Statements and Information. Audited consolidated financial statements of Health First for the fiscal years ended September 30, 2007 and 2008, are included in **Appendix B** hereto, and unaudited interim consolidated financial statements of Health First for the six-month periods ended March 31, 2008 and 2009, are included in **Appendix C** hereto.

Bondholders' Risks. There are risks associated with the purchase of the Series 2009B Bonds. See the information under the heading **"BONDHOLDERS' RISKS"** herein for a discussion of certain of these risks.

Continuing Disclosure. The Obligated Group has agreed to provide disclosure of certain financial and operating information on a quarterly basis, disclosure of certain financial and operating information and audited consolidated financial statements on an annual basis, and notice of the occurrence of certain events on an ongoing basis, for the benefit of the holders of the Series 2009B Bonds. See **"DISCLOSURE MATTERS - Continuing Disclosure"** herein and **Appendix F** for the form of Disclosure Dissemination Agent Agreement.

THE ISSUER

The Issuer is a public body politic and corporate and a public instrumentality duly created and existing under and by virtue of the laws of the State of Florida and governed by a five member board appointed by the Board of County Commissioners of Brevard County, Florida.

The Series 2009B Bonds are issued pursuant to the Act. The Issuer is authorized by the Act to issue its revenue bonds to finance and to refinance a variety of health facility projects, which bonds are payable solely from the revenues and derived from the sale, operation or leasing of such health facility project or projects. Each of the Issuer's outstanding bond issues is separately secured and independent from the Series 2009B Bonds as to sources of security and payment.

At the time of delivery of the Series 2009B Bonds, the Issuer will, among other things, assign all of its rights (except for certain rights of the Issuer relating to indemnity, the right to receive notices and the right to be reimbursed by Health First for certain of the Issuer's costs and expenses) under the Loan Agreement to the Bond Trustee which, on behalf of the holders of the Series 2009B Bonds, may exercise all of the Issuer's rights so assigned.

PLAN OF FINANCING

The Project is expected to cost approximately $175,000,000. See **"THE PROJECT"** in **Appendix A** hereto. On June 9, 2009, the Issuer issued its Health Facilities Revenue Bonds, Series 2009A (Health First, Inc. Project) (the "Series 2009A Bonds") in the principal amount of $70,000,000, which were privately placed with a financial institution. The proceeds of the Series 2009A Bonds will be used to pay or reimburse a part of the cost of the Project. The principal amount of Series 2009A Bonds will be amortized over 20 years subject to mandatory purchase on July 1, 2016 (or any subsequent date approved at the sole discretion of the holder), and are secured by Obligation No. 10. In connection with the issuance and delivery of the Series 2009A Bonds, Health First entered into a 7-year, variable-to-fixed interest rate swap (the "2009A Swap") with Compass Bank (the "Swap Provider"). Health First's regularly scheduled payment obligations under the 2009A Swap are secured by parity Obligation No. 11 and any termination payment under the 2009A Swap is secured by Obligation No. 11A, which is junior and subordinate to the Parity Obligations. The initial notional amount of the 2009A Swap equals the principal amount of the Series 2009A Bonds ($70,000,000) and will be amortized based on an amortization schedule which matches the amortization schedule of the Series 2009A Bonds. Health First is not required to post collateral due to mark-to-market valuations on the 2009A Swap. See **"BONDHOLDERS' RISKS - Utilization of Derivatives Markets"** herein.

The Series 2009B Bonds are to be issued in the aggregate principal amount of $85,850,000 for the purpose of paying or reimbursing a part of the cost of the Project. The Series 2009B Bonds are to be secured by the Series 2009B Obligation. The proceeds to be received by the Issuer from the sale of the Series 2009B Bonds will be loaned to Health First, as representative of the Obligated Group, and will be

used to (1) pay or reimburse approximately $75,000,000 of the cost of acquisition, construction and equipping of certain capital improvements to the health facilities of Health First and its affiliates, (2) fund a debt service reserve fund for the Series 2009B Bonds and (3) pay certain costs with respect to the issuance of the Series 2009B Bonds. See **"ESTIMATED SOURCES AND USES OF FUNDS"** herein. For more information about the Project and the Obligated Group's facilities, see **"THE PROJECT"** and **"HEALTH CARE FACILITIES AND OPERATIONS"** in **Appendix A** hereto.

The remaining estimated costs of the Project, totaling approximately $30,000,000, which primarily relate to certain medical equipment to be used at the health facilities of Health First and its affiliates, are expected either to be paid in subsequent years with cash on hand or to be financed in subsequent years with tax-exempt or taxable debt. If tax-exempt or taxable debt is utilized to finance such costs, such debt is expected to be secured by an Obligation issued under the Master Indenture, which will be payable on a parity with other Obligations outstanding under the Master Indenture.

A certificate of need has been obtained for the Project. For more information about the Project and the Obligated Group's facilities, see **"THE PROJECT"** and **"HEALTH CARE FACILITIES AND OPERATIONS"** in **Appendix A** hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2009B Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of Series 2009B Bonds	$85,850,000
Original Issue Discount	(1,020,409)
Total Sources of Funds	$84,829,591
Uses of Funds	
Project Fund	$75,000,000
Debt Service Reserve Fund	8,585,000
Issuance Costs [(1)]	1,244,591
Total Uses of Funds	$84,829,591

(1) Represents legal fees, accountants' fees, underwriters' discount and other fees associated with the issuance of the Series 2009B Bonds.

ESTIMATED ANNUAL DEBT SERVICE REQUIREMENTS

The following table shows, for each fiscal year ending September 30, the amounts estimated to be required in each year for the payment of interest[(1)] when due and of principal at maturity or upon mandatory redemption of the Series 2009B Bonds and the Obligations issued under the Master Indenture on a parity with the Series 2009B Obligation. Such information is subject to change.

	Series 2009B Obligation		Parity Obligations				
Fiscal Year Ending September 30,	Principal	Interest	Obligation Nos. 1-5, 8	Obligation Nos. 10 and 11[(1)(2)]	Obligation Nos. 6 and 7[(1)(3)]	Other Non-Parity Indebtedness	Total Debt Service
2010	-	$4,507,125	$21,595,489	$3,644,424	$3,647,446	$1,243,030	$34,637,514
2011	-	6,009,500	21,581,958	6,523,440	3,624,729	1,222,031	38,961,657
2012	-	6,009,500	21,563,395	6,899,590	3,605,580	1,205,562	39,283,627
2013	-	6,009,500	17,782,539	6,727,062	7,342,956	1,188,388	39,050,445
2014	-	6,009,500	20,308,186	6,544,883	4,365,621	1,170,509	38,398,698
2015	-	6,009,500	24,785,850	6,362,620	563,324	1,151,925	38,873,219
2016	-	6,009,500	20,261,600	5,858,872	544,213	1,132,636	33,806,821
2017	-	6,009,500	20,495,381	4,720,529	525,102	1,117,642	32,868,154
2018	-	6,009,500	20,504,750	4,631,681	505,991	1,101,708	32,753,630
2019	-	6,009,500	20,519,325	4,545,626	486,880	1,079,834	32,641,165
2020	-	6,009,500	20,532,844	4,458,980	392,460	1,062,255	32,456,038
2021	-	6,009,500	20,544,294	4,366,992		1,048,736	31,969,522
2022	-	6,009,500	20,557,794	4,281,712		1,029,042	31,878,047
2023	-	6,009,500	20,871,963	4,186,217		1,013,408	32,081,088
2024	-	6,009,500	20,935,538	4,099,021		703,824	31,747,882
2025	-	6,009,500	20,934,006	4,009,867		648,190	31,601,563
2026	-	6,009,500	20,934,106	3,920,550		646,635	31,510,791
2027	-	6,009,500	20,934,194	3,831,213		643,905	31,418,811
2028	-	6,009,500	20,932,238	3,743,201		-	30,684,938
2029	-	6,009,500	20,933,394	7,705,697		-	34,648,591
2030	-	6,009,500	20,934,769	-		-	26,944,269
2031	$1,550,000	6,009,500	20,932,131	-		-	28,491,631
2032	1,660,000	5,901,000	20,931,500	-		-	28,492,500
2033	1,775,000	5,784,800	20,931,500	-		-	28,491,300
2034	1,895,000	5,660,550	20,935,500	-		-	28,491,050
2035	2,025,000	5,527,900	20,936,250	-		-	28,489,150
2036	2,175,000	5,386,150	20,931,750	-		-	28,492,900
2037	23,260,000	5,233,900	-	-		-	28,493,900
2038	24,885,000	3,605,700	-	-		-	28,490,700
2039	26,625,000	1,863,750	-	-		-	28,488,750
Total	$85,850,000	$169,670,375	$564,042,241	$101,062,175	$25,604,302	$18,409,260	$964,638,353

(1) With respect to variable rate indebtedness, the assumed interest rates are as follows: 3.50% for Obligation No. 6; 3.50% for Obligation No. 7; and 5.135% from 2009 through 2016 and 2.516% from 2016 through 2029 for Obligation No. 10.

(2) Obligation No. 10 secures the Series 2009A Bonds, which were issued on June 9, 2009 and are subject to mandatory purchase on July 1, 2016 (or any subsequent date approved at the sole discretion of the Issuer); assumes the Series 2009A Bonds are remarketed on the same terms on any mandatory purchase date. Health First's regularly scheduled payment obligations under the 2009A Swap, which was entered in connection with the issuance of the Series 2009A Bonds, is secured by Obligation No. 11. See "PLAN OF FINANCING" herein.

(3) Obligation Nos. 6 and 7 are not secured by the Mortgage.

ACTUAL AND PRO FORMA DEBT SERVICE COVERAGE RATIOS

The following table shows the coverage ratio of income available for debt service to actual annual long-term debt of the Combined Group for the periods indicated and the coverage ratio of income available for debt service to pro forma long-term debt of the Combined Group. (For a description of the Combined Group, see the section herein entitled **"SECURITY FOR THE SERIES 2009B BONDS--The Master Indenture and the Series 2009B Obligation**—***Restricted Affiliates, Limited Obligors and the Combined Group"***). There can be no assurance that the Combined Group will generate income available for debt service in future years comparable to historical performance. All dollars are in thousands.

	Fiscal Year Ended September 30,		
	2006	**2007**	**2008**
Excess of revenue and gains over expenses and losses[(1)]	$26,864	$5,882	$30,691
Depreciation and amortization	36,732	45,517	46,812
Interest	9,496	13,927	13,677
Income available for debt service	$73,092	$65,326	$91,180
Actual debt service on existing debt	$21,059	$24,483	$23,030
Historical actual debt service coverage	3.47	2.67	3.96
Estimated aggregate maximum annual debt service on all outstanding Bonds[(2)]	--	--	$38,078
Pro forma debt service coverage[(3)]	--	--	2.39

(1) Excluding change in value of equity-linked notes.

(2) Includes Series 2009A Bonds and Series 2009B Bonds and excludes other non-parity indebtedness. With respect to variable rate indebtedness, the assumed interest rates are as follows: 3.50% for Obligation No. 6; 3.50% for Obligation No. 7; and 5.135% from 2009 through 2016 and 2.516% from 2016 through 2029 for Obligation No. 10.

(3) Formula for calculating pro forma debt service coverage = ((Total historical operating revenue – total historical operating expenses) + historical depreciation and amortization expenses + historical interest expense)/ future maximum annual debt service {principal + interest} payments for all outstanding indebtedness of the Combined Group, including the Series 2009A Bonds and the Series 2009B Bonds.

THE SERIES 2009B BONDS

General

The Series 2009B Bonds will be issued pursuant to the Bond Indenture. The Series 2009B Bonds are issuable only as fully registered bonds in denominations of $5,000 or any integral multiple thereof. The Series 2009B Bonds will be dated their date of delivery, and will bear interest from such date, payable semiannually on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing October 1, 2009, at the rates and with the maturities shown on the cover page of this Official Statement. The Series 2009B Bonds will be issued solely in book-entry only form. See **"BOOK-ENTRY ONLY SYSTEM"** below.

In the event the Series 2009B Bonds are no longer held in a book-entry only system, payment of the principal or redemption price of the Series 2009B Bonds will be made at the designated corporate trust office of the Bond Trustee and interest on all Series 2009B Bonds will be payable to the registered owner as of the Record Date by check or draft mailed to such registered owner. The Record Date for the Series 2009B Bonds is the fifteenth day (whether or not a business day) next preceding an Interest Payment Date.

Mandatory Sinking Fund Redemption

The Series 2009B Bonds maturing April 1, 2033 shall be subject to mandatory redemption and payment prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium. Health First shall deposit with the Bond Trustee a sum that, together with all amounts then on deposit in the Bond Sinking Fund and then available for the redemption of Bonds maturing April 1, 2033, shall be sufficient to redeem (after credit for the amount of Series 2009B Bonds acquired by the Bond Trustee at the written request of Health First) the following principal amounts of Series 2009B Bonds on the following sinking fund payment dates:

April 1,	Principal Amount
2031	$1,550,000
2032	1,660,000
2033*	1,775,000

*Final Maturity

The Series 2009B Bonds maturing April 1, 2039 shall be subject to mandatory redemption and payment prior to maturity at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium. Health First shall deposit with the Bond Trustee a sum that, together with all amounts then on deposit in the Bond Sinking Fund and then available for the redemption of Bonds maturing April 1, 2039, shall be sufficient to redeem (after credit for the amount of Series 2009B Bonds acquired by the Bond Trustee at the written request of Health First) the following principal amounts of Series 2009B Bonds on the following sinking fund payment dates:

April 1,	Principal Amount
2034	$1,895,000
2035	2,025,000
2036	2,175,000
2037	23,260,000
2038	24,885,000
2039*	26,625,000

*Final Maturity

Optional Redemption

The Series 2009B Bonds shall be subject to redemption and payment prior to maturity by the Issuer, upon written direction of Health First, on and after April 1, 2019, in whole or in part at any time at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon to the redemption date.

Extraordinary Redemption

The Series 2009B Bonds are subject to redemption prior to maturity by the Issuer, to the extent of available Net Proceeds (as defined in the Master Indenture) of insurance or condemnation, upon the direction of Health First, in the event (i) the Project or any portion thereof is damaged, destroyed or condemned, (ii) the Net Proceeds of insurance or condemnation received in connection therewith exceed the greater of (a) five percent (5%) of Property, Plant and Equipment of the Obligated Group (as defined in the Master Indenture) or (b) $5,000,000, and (iii) Health First elects to have all or any part of such Net Proceeds applied to the prepayment of the Series 2009B Obligation. If called for redemption in any such event, the Series 2009B Bonds shall be subject to redemption in whole at any time, or in part on any Interest Payment Date, and if in part, by maturities designated by Health First (and, if less than all of a maturity is being redeemed, by lot within a maturity) at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium.

The Series 2009B Bonds are also subject to redemption prior to their maturity, as a whole or in part, at the direction of Health First on the earliest practicable date in the event that (i) the governing body of Health First determines in good faith that continued operation of the Project (or portions thereof) is not financially feasible or is otherwise disadvantageous to Health First; (ii) as a result thereof, Health First sells, leases or otherwise disposes of all or a portion of the Project to a Person or entity unrelated to Health First; and (iii) there is delivered to the Bond Trustee a written statement of Bond Counsel to the effect that, unless the Series 2009B Bonds are redeemed or retired in the amount specified either prior to or concurrently with such sale, lease or other disposition, or on a subsequent date prior to the first date on which the Series 2009B Bonds are subject to redemption, at the option of Health First, such Bond Counsel will be unable, absent payment of penalties by Health First or the Issuer to the Internal Revenue Service, to render an unqualified opinion that such sale, lease or other disposition of all or a portion of the Project will not adversely affect the validity of any Series 2009B Bonds or any exemption from federal income taxation to which the interest on such Series 2009B Bonds would otherwise be entitled. Any such redemption shall be at a redemption price (plus accrued interest to the redemption date) equal to 103% of the principal amount thereof.

Notice of Redemption

A copy of the notice of the call for any redemption identifying the Series 2009B Bonds to be redeemed shall be given by first class mail, postage prepaid, to the registered owners of Bonds to be redeemed at their addresses as shown on the Bond Register not less than thirty (30) days prior to the redemption date. Failure to give notice in the manner prescribed in the Bond Indenture with respect to any Series 2009B Bond, or any defect in such notice, shall not affect the validity of the proceedings for redemption for any Series 2009B Bond with respect to which notice was properly given. Upon the happening of the above conditions and if sufficient moneys are on deposit with the Bond Trustee on the applicable redemption date to redeem the Series 2009B Bonds to be redeemed and to pay interest due thereon and premium, if any, the Series 2009B Bonds thus called shall not after the applicable redemption date bear interest, be protected by the Bond Indenture or be deemed to be outstanding under the provisions of the Bond Indenture. If any Series 2009B Bond is transferred or exchanged on the Bond Register by the Bond Registrar after notice has been given calling such Series 2009B Bond for redemption, the Bond Registrar will attach a copy of such notice to the Series 2009B Bond issued in connection with such transfer.

Notice of the call for redemption of Series 2009B Bonds held under a book-entry system will be sent by the Bond Trustee only to DTC or its nominee as registered owner. Notice of redemption to the owners of Series 2009B Bonds called for redemption is the responsibility of DTC, Direct Participants and Indirect Participants. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or

any Indirect Participant to notify the book entry interest owners, of any such notice and its content or effect will not affect the validity of any proceedings for the redemption of the Series 2009B Bonds. See **"BOOK-ENTRY ONLY SYSTEM"** below.

Partial Redemption

In the event that less than all of the Outstanding Series 2009B Bonds or portions thereof shall be redeemed, the maturities of the Series 2009B Bonds shall be designated by Health First, and if not so designated, the Series 2009B Bonds to be redeemed shall be redeemed in inverse order of maturity. If less than all Series 2009B Bonds or portions thereof of a single maturity are to be redeemed, they shall be selected by lot in such manner as the Bond Trustee may determine. In case a Series 2009B Bond is of a denomination larger than $5,000, a portion of such Series 2009B Bond ($5,000 or any integral multiple thereof) may be redeemed, but Series 2009B Bonds shall be redeemed only in the principal amount of $5,000 each or any integral multiple thereof.

Purchase In Lieu Of Redemption

In lieu of an optional redemption and cancellation of Series 2009B Bonds, Series 2009B Bonds may be purchased by Health First for its own account and either (i) cancelled or (ii) remarketed. Notice and selection of Series 2009B Bonds being purchased pursuant to the provisions of the Bond Indenture shall be given/selected in the same manner as the notice and selection of Bonds called for optional redemption; provided, that the notice provided for in the Bond Indenture shall be modified as necessary to reflect a purchase in lieu of redemption.

The selection of book-entry interests in the Series 2009B Bonds to be redeemed is the responsibility of DTC, Direct Participants and Indirect Participants. See **"BOOK-ENTRY ONLY SYSTEM"** below.

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The Depository Trust Company ("DTC") New York, New York, will act as securities depository for the Series 2009B Bonds. The Series 2009B 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 certificate will be issued for each maturity of the Series 2009B Bonds set forth on the cover page of this Official Statement, 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, 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 in 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 Corporation ("DTCC"). DTCC is the holding company for DTC, the 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 and 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 Series 2009B 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 Series 2009B 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 beneficial ownership interests in the Series 2009B Bonds, except in the event that use of the book-entry system for the Series 2009B 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009B 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 Series 2009B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2009B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2009B Bonds may wish to ascertain that the nominee holding the Series 2009B 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 Bond Trustee and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the Series 2009B Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2009B Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009B Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Series 2009B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2009B 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 Bond Trustee, on a payment 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 Participants and not of DTC, its nominee, the Bond Trustee 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 Bond Trustee. 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 the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2009B Bonds at any time by giving reasonable notice to the appropriate Issuer or the Bond Trustee. 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 transfers through DTC (or a successor securities depositary). In that event, Bond certificates will be printed and delivered.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT HEALTH FIRST BELIEVES TO BE RELIABLE, BUT NEITHER THE ISSUER NOR HEALTH FIRST TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

NEITHER THE ISSUER NOR HEALTH FIRST NOR THE MASTER TRUSTEE NOR THE BOND TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE PARTICIPANTS OR THE PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2009B BONDS. NEITHER THE ISSUER NOR HEALTH FIRST GIVE ANY ASSURANCES THAT DTC, PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2009B BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT OR FOR THE SELECTION BY DTC OR ANY PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009B BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2009B Bonds, references herein to the owners or holders of the Series 2009B Bonds (other than under the caption "TAX MATTERS" herein) shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2009B Bonds.

For every transfer of ownership interests in the Series 2009B Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Revision of Book-Entry System; Replacement Bonds

The Bond Indenture provides for the issuance and delivery of fully registered Series 2009B Bonds (the "Replacement Bonds") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Series 2009B Bonds or if the Issuer, Borrower or Bond Trustee determines that continuation of the system of book-entry transfers through DTC is not in the best interests of the beneficial owners of the Series 2009B Bonds.

Upon the occurrence of any such event, the Issuer may attempt to establish a securities depository book-entry relationship with another securities depository. If the Issuer does not do so, and after the Bond Trustee has notified the owners of book-entry interests with respect to the Series 2009B Bonds by appropriate notice to DTC, the Issuer will issue and the Bond Trustee will authenticate and deliver Replacement Bonds in authorized denominations to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery (including printing and delivery costs) will be at the expense of the Issuer.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Series 2009B Bonds will be payable in the manner described above under **"THE SERIES 2009B BONDS -- General"** and the following provisions will apply. The Series 2009B Bonds may be transferred or exchanged for one or more Series 2009B Bonds of the same series in different authorized denominations upon surrender thereof at the designated office of the Bond Trustee in Orlando, Florida, by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Series 2009B Bonds to be transferred or exchanged, the Issuer will execute, and the Bond Trustee will record the transfer or exchange in the Bond Register and the Bond Trustee shall authenticate and deliver, new Series 2009B Bonds of the same series appropriately registered and in appropriate Authorized Denominations. Neither the Issuer nor the Bond Trustee shall be required to transfer or exchange (i) any Series 2009B Bonds during a period of 15 days before the day of the mailing of a notice of redemption of the Series 2009B Bonds or (ii) any Series 2009B Bonds all or part of which have been selected for redemption.

SECURITY FOR THE SERIES 2009B BONDS

General

The Series 2009B Bonds are secured by and are payable solely from (i) payments or prepayments by the Members of the Obligated Group on the Series 2009B Obligation, (ii) payments made by Health First under the Loan Agreement in lieu of payments made pursuant to the Series 2009B Obligation and (iii) certain amounts on deposit with the Bond Trustee under the Bond Indenture. The Series 2009B Bonds will also be secured by a debt service reserve fund. Certain investment earnings on money held by the Bond Trustee may be transferred to a Rebate Fund established pursuant to the Bond Indenture. Amounts held in the Rebate Fund are not part of the "trust estate" pledged to secure the Series 2009B Bonds and will not be available to make payments thereon.

The Series 2009B Obligation will be issued in a principal amount equal to the aggregate principal amount of the Series 2009B Bonds. The Series 2009B Obligation will be delivered to the Bond Trustee and will entitle the bondholders to the protection of the covenants, restrictions and other obligations

imposed upon the Obligated Group by the Master Indenture. The terms of the Series 2009B Obligation will require payments by the Obligated Group which, together with other moneys available therefor (and interest earned thereon), will be sufficient to provide for the timely payment of the principal of, premium, if any, and interest on the Series 2009B Bonds.

The Series 2009B Obligation is secured by a pledge of the Revenues of the Members of the Obligated Group and other moneys pledged under the Master Indenture on a parity with all other Obligations outstanding under the Master Indenture. Holmes Corporation has also executed the Mortgage in favor of the Master Trustee to secure the Obligated Group's repayment obligations with respect to Obligation Nos. 1 through 5, inclusive, Obligation No. 8, Obligation No. 10, Obligation No. 11, the Series 2009B Obligation and any future Obligations which are designated by Holmes Corporation to be secured by the Mortgage. The Mortgage creates a mortgage lien on and security interest in a portion of the Holmes Corporation property constituting the main hospital (the "Mortgaged Property"), and assigns all leases, rents and contracts relating to the Mortgaged Property to the Master Trustee.

THE SERIES 2009B BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM PAYMENTS RECEIVED BY THE ISSUER UNDER ITS LOAN AGREEMENT WITH HEALTH FIRST, INCLUDING PAYMENTS MADE BY THE OBLIGATED GROUP ON THE SERIES 2009B OBLIGATION ON A PARITY WITH ALL OTHER OBLIGATIONS OUTSTANDING UNDER THE MASTER INDENTURE, AND WITH RESPECT TO THE SERIES 2009B OBLIGATION AND CERTAIN OTHER OBLIGATIONS, RECOURSE TO THE MORTGAGE, AND DO NOT AND WILL NOT CONSTITUTE A DEBT OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF, OTHER THAN THE LIMITED OBLIGATION OF THE ISSUER AS AFORESAID. NEITHER THE GENERAL CREDIT OF THE ISSUER NOR THE CREDIT OR TAXING POWER OF BREVARD COUNTY, FLORIDA, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION, AGENCY OR INSTRUMENTALITY THEREOF IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2009B BONDS. THE ISSUER HAS NO TAXING POWER.

Debt Service Reserve Fund

Pursuant to the Bond Indenture, the Issuer establishes with the Bond Trustee and agrees to maintain so long as any of the Series 2009B Bonds are outstanding a Debt Service Reserve Fund. A deposit in the amount of $8,585,000 (the "Reserve Requirement") will be made on the date of issuance of the Series 2009B Bonds. Except as otherwise provided in the Bond Indenture, moneys in the Debt Service Reserve Fund are required to be maintained in an amount equal to the Reserve Requirement.

In lieu of or in substitution for maintaining and depositing moneys in the Debt Service Reserve Fund, Health First may deliver to the Bond Trustee for deposit in the Debt Service Reserve Fund a letter of credit, surety bond, non-callable insurance policy or similar instrument issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by Standard & Poor's, Fitch or Moody's, in a face amount equal to all or any portion of the Reserve Requirement.

Except for amounts in excess of the Reserve Requirement, moneys on deposit in the Debt Service Reserve Fund shall be used only to make up any deficiencies in the Interest Fund and the Bond Sinking Fund (in that order). Moneys on deposit in the Debt Service Reserve Fund shall be invested in Qualified Investments. See **Appendix E** hereto for more information about the Debt Service Reserve Fund,

including valuation of the Qualified Investments therein and Health First's obligation to make up deficiencies in the Debt Service Reserve Fund.

The Master Indenture and the Series 2009B Obligation

General

Under the Master Indenture, the Obligations are secured by a pledge of and a security interest in the Revenues of the Members of the Obligated Group. Also, under the Master Indenture, the Members of the Obligated Group have retained the ability to pledge and sell their accounts receivable free and clear of the lien of the Master Indenture in any amount not exceeding 10% of the aggregate sale price of such accounts receivable, if immediately after the incurrence of such Indebtedness (as such term is defined in the Master Indenture), the amount of accounts receivable that have been pledged to secure Indebtedness and is then outstanding will not exceed the difference between (x) 20% of the Combined Group's accounts receivable as shown on the audited financial statements for the prior fiscal year and (y) the amount of accounts receivable that have been and are then pledged or sold pursuant to the Master Indenture in such fiscal year. Upon issuance of the Series 2009B Obligation, Health First, Holmes Corporation and CCH Corporation will be the sole Members of the Obligated Group under the Master Indenture. For more information regarding the composition of the Obligated Group upon completion of the Project and licensure of Viera Hospital, see **"INTRODUCTION - The Obligated Group and Master Trust Indenture"** herein. The Supplemental Indenture for the Series 2009B Obligation provides that Holmes Corporation shall remain a Member of the Obligated Group as long as the Series 2009B Obligation is outstanding. The Master Indenture permits certain additional parties to become Members of the Obligated Group in the future upon the satisfaction of certain requirements set forth therein. See **Appendix D** hereto.

The obligations of the Members of the Obligated Group to pay all amounts due under the Series 2009B Obligation and each other Obligation that may be issued by the Members of the Obligated Group from time to time under the Master Indenture are secured on a parity with one another as provided in the Master Indenture. Upon the terms and conditions specified in the Master Indenture, Members of the Obligated Group may issue additional Obligations to parties other than the Bond Trustee, which additional Obligations will not constitute part of the security for the Series 2009B Bonds, but will be equally and ratably secured under the Master Indenture with the Series 2009B Obligation, except as described herein. Payments on the Obligations, including the Series 2009B Obligation, will be the joint and several general obligations of the Members of the Obligated Group. See **"BONDHOLDERS' RISKS– Certain Matters Relating to Enforceability of the Master Indenture and Bond Indenture"** herein for a description of certain potential limitations as to the enforceability of the covenants of the Members of the Obligated Group to be jointly and severally liable for each Obligation issued thereunder.

Parity Obligations

The Series 2009B Obligation will be payable from the Revenues of the Members of the Obligated Group on a parity with the following Obligations outstanding as of June 15, 2009 and any future outstanding Obligations:

- *Health First Obligated Group – Health First, Inc. Obligation No. 1 (2001 Financing)* currently outstanding in the principal amount of $72,455,000, issued pursuant to Supplemental Indenture for Obligation No. 1, dated as of May 15, 2001, among the Members of the Obligated Group and the Master Trustee, to secure obligations relating to the Issuer's Health Facilities Revenue Bonds, Series 2001 (Health First, Inc. Project) (the

"2001 Bonds"). The proceeds of the 2001 Bonds were loaned to Health First to finance certain capital improvements to the health facilities of Health First.

- *Health First Obligated Group – Health First, Inc. Obligation No. 1A (2001 Financing – MBIA*, issued pursuant to Supplemental Indenture for Obligation No. 1A, dated as of May 15, 2001, among the Members of the Obligated Group and the Master Trustee, to secure obligations under the Reimbursement and Indemnity Agreement, dated as of May 15, 2001, by and among the Members of the Obligated Group and MBIA Insurance Corporation, relating to the 2001 Bonds.

- *Health First Obligated Group -- Holmes Regional Medical Center, Inc. Obligation No. 3 (1996 Financing)* currently outstanding in the principal amount of $34,200,000, issued pursuant to Supplemental Indenture for Obligation No. 3, dated as of May 15, 2001, among the Members of the Obligated Group and the Master Trustee, to replace the Holmes Regional Medical Center Inc., Series H Note (1996 Financing), securing the Issuer's Hospital Revenue Bonds, Series 1996 (Holmes Regional Medical Center Project) (the "1996 Holmes Bonds"). The proceeds of the 1996 Holmes Bonds were loaned to Holmes Corporation and used to pay the costs of certain capital improvements at Holmes, Palm Bay Hospital and other sites.

- *Health First Obligated Group -- Cape Canaveral Hospital, Inc. Obligation No. 5 (1998 Financing)* currently, outstanding in the principal amount of $23,940,000, issued pursuant to Supplemental Indenture for Obligation No. 5 dated as of May 15, 2001, among the Members of the Obligated Group and the Master Trustee, to replace the Cape Canaveral Hospital, Inc. Series E Note, Revenue Refunding Certificates, Series 1998 (the "Series 1998 Bonds") issued by the District. The proceeds of the Series 1996 CCH Bonds were loaned to CCH Corporation and used to refinance certain existing indebtedness of CCH Corporation.

- *Health First Obligated Group – Health First, Inc. Obligation No. 6 (2003 Financing)* currently outstanding in the principal amount of $19,820,000, issued pursuant to Supplemental Indenture for Obligation Nos. 6 and 6A, dated as of August 1, 2003, among the Members of the Obligated Group and the Master Trustee, to secure obligations relating to the Issuer's Health Facilities Revenue Refunding Bonds, Series 2003 (Health First Obligated Group) (Health First, Inc. Project) (the "2003 Bonds"). The proceeds of the 2003 Bonds were loaned to Health First to finance certain capital improvements to the health facilities of Health First and to refund the Issuer's Hospital Revenue Bonds, Series 1993 (Holmes Regional Medical Center Project) and the Cape Canaveral Hospital, Inc. Series D Note, securing Revenue Refunding Certificates, Series 1993.

- *Health First Obligated Group – Health First, Inc. Obligation No. 6A (2003 Financing – SunTrust Bank)*, issued pursuant to Supplemental Indenture for Obligation Nos. 6 and 6A, dated as of August 1, 2003, among the Members of the Obligated Group and the Master Trustee, to secure obligations under the Letter of Credit Agreement, dated as of August 1, 2003, by and among the Members of the Obligated Group and SunTrust Bank, relating to the 2003 Bonds.

- *Health First Obligated Group – Health First, Inc. Obligation No. 7 (2005 Financing – SunTrust Bank)* currently outstanding in the principal amount of $4,929,466, issued pursuant to a Supplemental Indenture for Obligation No. 7 dated as of January 4, 2005,

between Health First and SunTrust Bank, to refund certain taxable indebtedness of Health First.

- *Health First Obligated Group – Health First, Inc. Obligation No. 8 (2005 Financing)* currently outstanding in the principal amount of $175,000,000, issued pursuant to Supplemental Indenture for Obligation No. 8, dated as of November 1, 2005, among the Members of the Obligated Group and the Master Trustee, to secure obligations relating to the Issuer's Health Facilities Revenue Bonds, Series 2005 (Health First, Inc. Project) (the "2005 Bonds"). The proceeds of the 2005 Bonds were loaned to Health First to finance certain capital improvements to the health facilities of Health First.

- *Health First Obligated Group – Health First, Inc. Obligation No. 10 (2009A Financing)* currently outstanding in the principal amount of $70,000,000, issued pursuant to Supplemental Indenture for Obligation No. 10, dated June 9, 2009, among the Members of the Obligated Group and the Master Trustee, to secure obligations relating to the Series 2009A Bonds. The proceeds of the Series 2009A Bonds were loaned to Health First to finance part of the costs of the Project. See **"PLAN OF FINANCING"** herein.

- *Health First Obligated Group – Health First, Inc. Obligation No. 11 (2009A Swap)* currently outstanding in a notional amount of $70,000,000, issued pursuant to Supplemental Indenture for Obligation No. 11, dated June 9, 2009, among the Members of the Obligated Group and the Master Trustee, to secure obligations relating to the International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement, together with all schedules and confirmations related thereto, between Health First and the Swap Provider, relating to the 2009A Swap. See **"PLAN OF FINANCING"** herein.

The Series 2009B Obligation will be secured by the Mortgage on a parity with Obligation Nos. 1 through 5, inclusive, Obligation No. 8, Obligation No. 10, and Obligation No. 11, and any future outstanding Obligations which are designated by Holmes Corporation to be secured by the Mortgage. Obligation Nos. 6, 6A and 7 are not secured by the Mortgage.

Restricted Affiliates, Limited Obligors and the Combined Group

In addition to Obligated Group Members, the Master Indenture provides for Restricted Affiliates. Obligated Group Members together with Restricted Affiliates form the Combined Group. The Members of the Obligated Group covenant to cause the Restricted Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person (to the extent permitted by law) for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to any Obligations issued under the Master Indenture and to satisfy its covenants under the Master Indenture. The accounts and revenues of the Members of the Combined Group will be consolidated for financial reporting purposes and will be used in determining whether certain covenants and tests in the Master Indenture are satisfied by the Obligated Group.

Conditions for designation and release of Restricted Affiliates of the Obligated Group and for Limited Obligors are contained in the Master Indenture. See **"Conditions for Designation of Restricted Affiliates," "Release of Restricted Affiliates"** and **"Limited Obligors"** in **Appendix D** hereto. Among the requirements is the filing with the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test (described below); provided that with respect to the Restricted Affiliates, the term "Combined Group" is substituted for the term "Obligated Group" in the Transaction Test.

The initial Restricted Affiliates consist of Health First Health Plans, Inc., Health First Physicians, Inc., Hospice of Health First, Inc., Cape Health Properties, Inc., Health First Holding Corp., Holmes Regional Enterprises, Inc., Health First Foundation, Inc. and Health First Medical Management, Inc.

Additional Indebtedness

General. While the Bond Indenture does not allow the issuance of bonds or other indebtedness of the Issuer secured by the trust estate that are senior to or on a parity with the Series 2009B Bonds, subject to the terms, limitations and conditions established in the Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations under the Master Indenture or by creating Indebtedness under any other document. Additional Obligations issued under the Master Indenture shall be on a parity with all other Obligations issued thereunder, including the Series 2009B Obligation and the other Obligations issued under the Master Indenture. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created under the Master Indenture are not limited, except as limited by the covenants in the Master Indenture. See **Appendix D** hereto for certain terms and conditions applicable to the incurrence by Members of the Obligated Group of Additional Indebtedness under the Master Indenture, including Long-Term Indebtedness, Short-Term Indebtedness, Non-Recourse Indebtedness, Completion Indebtedness, Subordinated Debt, Indebtedness under a Credit Facility and Indebtedness secured by accounts receivable.

Long-Term Indebtedness. Under the Master Indenture, Long-Term Indebtedness may be incurred if prior to incurrence of Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available, taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20; or

(ii) (A) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in clause (i) above, excluding the proposed Long-Term Indebtedness, is at least 1.10 and (B) a certificate of a Consultant (or in the case of a Long-Term Debt Service Coverage Ratio greater than 1.50, a certificate of the Obligated Group Representative) demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.20 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Combined Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Combined Group are based. However, if a report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this clause (ii) to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

In addition, Long-Term Indebtedness may be incurred provided that immediately after giving effect to any Long-Term Indebtedness incurred as described in this paragraph and Short-Term

Indebtnedness, the aggregate of Long-Term Indebtedness incurred as described in this paragraph shall not exceed 35% of Total Revenues as reflected in the most recent Audited Financial Statements; provided, further, that the aggregate of the Indebtedness Outstanding under this paragraph shall not at any time exceed 35% of Total Revenues as reflected in the most recent Audited Financial Statements. Long-Term Indebtedness may also be incurred for the purpose of refunding any Outstanding Long-Term Indebtedness under the terms and conditions described in the Master Indenture.

Pledges of Property

Each Member of the Obligated Group has agreed that it will not pledge or grant a security interest in (except as may be otherwise provided in the Master Indenture) any of its Property.

Limitations on Creation of Liens

Each Member of the Obligated Group has agreed that it will not create or allow to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it other than Permitted Liens. See **"Limitations on Creation of Liens; Permitted Liens"** in **Appendix D** hereto.

Rate Covenant

Under the Master Indenture, each Member of the Obligated Group has covenanted to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10. However, in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

If at any time the Long-Term Debt Service Coverage Ratio, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, the Obligated Group must retain a Consultant, with the consent (which consent cannot be unreasonably withheld) of all Credit Facility Providers, if any, to make recommendations to increase the Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. So long as the Members of the Obligated Group retain a Consultant and comply with the recommendations of the Consultant to the extent permitted by law, the rate covenant shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level, but in no event less than 1.00. However, the revenues and unrestricted cash and investments on hand of the Obligated Group must not be less than the amount required to pay when due the total Operating Expenses of the Obligated Group and to pay when due the debt service on all Indebtedness of the Obligated Group for such Fiscal Year. In no event shall the Obligated Group be required to obtain a Consultant to make recommendations more frequently than biennially.

Sale, Lease or Other Disposition of Operating Assets

Each Member of the Obligated Group agrees that it will not transfer Operating Assets in any Fiscal Year (or other 12-month period for which Financial Statements are available) except for Transfers of Property described in the Master Indenture. See **"Sale, Lease or Other Disposition of Operating Assets; Disposition of Cash and Investments; Sale of Accounts"** in **Appendix D** hereto.

Consolidation, Merger, Sale or Conveyance

Each Member of the Obligated Group agrees that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under the Master Indenture and the performance and observance of all the covenants and conditions of the Master Indenture; and

(ii) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative indicating that no Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of the Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel to the effect that the consummation of the transaction would not adversely affect the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

As used in the Master Indenture, the "Transaction Test" means, for purposes of any consolidation, merger, sale or conveyance, a party becoming a Member of the Obligated Group, a withdrawal from the Obligated Group, the designation of a Restricted Affiliate or the release of a Restricted Affiliate (a "transaction"), any of the following:

(A) an Officer's Certificate of the Obligated Group Representative demonstrating that certain conditions in the Master Indenture for the issuance of one dollar ($1.00) of Additional Indebtedness have been satisfied, assuming such transaction had occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available, and

(B) an Officer's Certificate of the Obligated Group Representative demonstrating that the unrestricted fund balance (or excess of assets over liabilities, as the case may be) of the Obligated Group after giving effect to the transaction is not less than 90% of the unrestricted net assets (or excess of assets over liabilities, as the case may be) of the Obligated Group prior to the transaction, as reflected in the most recent Audited Financial Statements.

See **"Consolidation, Merger, Sale or Conveyance"** and the definition of "Transaction Test" contained in **Appendix D**.

Additional Members of Obligated Group

Persons that are not Members of the Obligated Group may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group upon satisfaction of the

requirements set forth in the Master Indenture. See **"Parties Becoming Members of the Obligated Group"** in **Appendix D** hereto. Among the requirements is the filing with the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

Withdrawal from Obligated Group

A Member of the Obligated Group may withdraw from the Obligated Group only upon satisfaction of the requirements of the Master Indenture. See **"Withdrawal from the Obligated Group"** in **Appendix D** hereto. Among the requirements is delivery to the Master Trustee of an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test. The Supplemental Indenture for the Series 2009B Obligation provides that Holmes Corporation shall remain a Member of the Obligated Group as long as the Series 2009B Obligation is outstanding.

Replacement Master Indenture

The Master Indenture may be replaced by a Replacement Master Indenture with the prior written consent of the majority in principal amount of holders of the Series 2009B Bonds. See **"Replacement Master Indenture"** in **Appendix D** hereto.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2009B Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2009B Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

General

The Series 2009B Bonds are secured by and are payable solely from sources pledged therefor under the Bond Indenture, including payments on the Series 2009B Obligation. The Series 2009B Obligation is secured by a pledge of the Revenues of the Obligated Group, the Mortgage and other moneys pledged under the Master Indenture. No representation or assurance can be made that Revenues will be realized by the Members of the Obligated Group in amounts sufficient to pay principal of, and premium, if any, and interest on, the Series 2009B Obligation when due, and thus the Series 2009B Bonds. None of the provisions of the Bond Indenture or the Master Indenture will afford the Bondholders any assurance that the obligations of the Obligated Group will be paid as and when due, if the financial condition of the Obligated Group deteriorates to the point where the Members of the Obligated Group are unable to pay their debts as they come due or the Obligated Group otherwise becomes insolvent.

The receipt of future revenues by the Obligated Group is subject to, among other factors, federal and state laws, regulations and policies affecting the health care industry and the policies and practices of major managed care providers, private insurers and other third-party payors and private purchasers of health care services. The effect on the Members of the Obligated Group of recently enacted laws and regulations and recently adopted policies, and of future changes in federal and state laws, regulations and policies, and private policies, cannot be determined at this time. Loss of established contracts with

managed care providers by a Member of the Obligated Group could also adversely affect its future revenues.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for health care services, the availability and affordability of insurance, including without limitation malpractice and casualty insurance, availability of nursing and other professional personnel, the capability of management of each Member of the Obligated Group, the receipt of grants and contributions, referring physicians' and self-referred patients' confidence in the Members of the Obligated Group, economic and demographic developments in the United States, the State of Florida and the service area of the Obligated Group, and competition from other health care institutions in the service area, together with changes in rates, costs, third-party payments and governmental laws, regulations and policies, may adversely affect revenues and expenses and, consequently, the ability of Health First to make payments under the Loan Agreement, and of the Members of the Obligated Group to make payments under the Series 2009B Obligation.

Obligated Group Financings

The accounts of the Members of the Obligated Group will be consolidated for financial reporting purposes and will be used in determining whether the test relating to debt service coverage contained in the Master Indenture is met, notwithstanding uncertainties as to the obligations of the Members of the Obligated Group contained in the Master Indenture which bear on the availability of the assets and revenues of the Members of the Obligated Group for payment of debt service on Obligations, including the Series 2009B Obligation pledged as security for the Series 2009B Bonds.

The joint and several obligations described herein of the Members of the Obligated Group to make payments of debt service on such Obligations may not be enforceable to the extent payments on an Obligation (i) are requested to be made from assets which are donor-restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments, (ii) are requested with respect to an Obligation under the Master Indenture which was incurred, or payments on any Obligation which was issued, for a purpose which is not consistent with the charitable purposes of the Obligated Group Member from which such payments are requested or which was incurred or issued for the benefit of an entity other than a nonprofit corporation which is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Code and is not a "private foundation" as defined in Section 509(a) of the Code, (iii) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Obligated Group Member from which such payments are requested, or (iv) are requested to be made pursuant to any loan violating applicable usury laws.

An Obligated Group Member may not be required to make payments on or provide amounts for the payment of an Obligation issued by or for the benefit of another entity to the extent that any such payment or transfer would render such paying entity insolvent or would conflict with, not be permitted by or would be subject to recovery for the benefit of other creditors of such entity under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments on Obligations by an Obligated Group Member may be voided by a trustee in bankruptcy in the event of a bankruptcy of such Member or by third party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, 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 state fraudulent conveyances 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 an Obligated Group Member to make a payment on an Obligation, a court might not enforce such payment in the event it is determined that sufficient consideration for the Member's obligation was not received or that the incurrence of such obligation has rendered or will render the Member insolvent or the Member is or will thereby become undercapitalized.

In addition, there exists common law authority and authority under state statutes for the ability of the state courts to terminate the existence of a non-profit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such court action may arise on the court's own motion or pursuant to a petition of the state attorney general or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Certain Matters Relating to Enforceability of Security Interest in Revenues

The enforceability of the security interest in Revenues granted in the Master Indenture may be limited by a number of factors, including: (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables due under the contracts between the Members of the Obligated Group and third-party payors, and present or future legal prohibitions against such assignment; (iii) 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 and other governmental programs; (iv) commingling of proceeds of accounts receivable with other moneys of Health First and the other Members of the Obligated Group not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts or equitable or other rights impressed or conferred thereon by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal bankruptcy laws which may affect the enforceability of the Master Indenture, the Loan Agreement or the security interest in the Revenues of the Members of the Obligated Group which are earned by the Members of the Obligated Group within 90 days preceding the commencement of bankruptcy proceedings by or against the Members of the Obligated Group and during the pendency of such proceedings; (ix) rights of third parties in Revenues converted to cash and not in the possession of the Master Trustee; and (x) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Uniform Commercial Code, as from time to time in effect.

Mortgaged Property

Obligation Nos. 1 through 5, inclusive, Obligation No. 8, Obligation No. 10, Obligation No. 11, and the Series 2009B Obligation and any future Obligations which are designated by Holmes Corporation to be secured by the Mortgage, will be secured pari passu by the Mortgage (the "Mortgage-Secured Obligations"), but the Mortgaged Property does not include any other real estate owned by the Obligated Group Members, including, without limitation, certain of Holmes' hospital facilities, Cape Canaveral Hospital, Palm Bay Hospital, medical office buildings, outpatient surgery centers, physician clinics, Health First offices and certain unimproved land. No appraisal has been made of the Mortgaged Property since 2001 and its value, together with any other collateral, may be significantly less than the principal

amount of the Mortgage-Secured Obligations outstanding. The Mortgaged Property is a health care facility and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for such facility, and, upon a default, the Bond Trustee or the Master Trustee may not obtain an amount sufficient to satisfy the liabilities of the Obligated Group, including any amounts due on the Series 2009B Obligation.

In connection with the execution and delivery of the Original Mortgage in 2001, Holmes Corporation caused an American Land Title Association Loan Policy to be delivered to the Master Trustee and received an American Land Title Association Owner's Policy, which provide title insurance coverage in the amount of $75,415,000. As the principal amount of Obligation No. 1 is amortized the amount of the policy coverage under the loan policy will be reduced accordingly, but the amount of the policy coverage under the owner's policy will remain constant. In connection with the issuance of the Series 2009B Obligation and the execution and delivery of the Future Advance supplementing the Original Mortgage, the amount of coverage under the title insurance policies will not be increased but the loan policy will be endorsed to cover the Original Mortgage as supplemented by the Future Advance. In addition, Holmes Corporation will cause to be delivered to the Master Trustee a legal opinion of Walter T. Rose, Jr., P.A., special counsel to Holmes Corporation, to the effect that, among other things, the Original Mortgage in 2001 constituted a first priority mortgage lien on the Mortgaged Property; the Series 2009B Obligation and other Mortgage-Secured Obligations will be secured by the Original Mortgage as supplemented by the Future Advance; the Future Advance complies with applicable Florida law and is entitled to the same priority as the Original Mortgage; no statutory lien for labor or material has priority over the Mortgage; and the Future Advance and the transactions relating thereto will not impair the validity, enforceability or priority of the Original Mortgage. Immediately following the issuance of the Series 2009B Obligation, the aggregate principal amount of Mortgage-Secured Obligations outstanding will be $460,970,000. In the event of any impairment or total loss of the lien of the Mortgage or any loss of title to the interest of Holmes Corporation in the Mortgaged Property which is covered by the loan policy or the owner's policy, the amount of title insurance coverage will, more likely than not, be insufficient to cure or pay any such impairment or loss.

Certain Other Matters Relating to Security for Series 2009B Bonds

The Master Indenture permits the issuance of additional Obligations on a parity with the Series 2009B Obligation and the other outstanding Obligations, and also permits incurrence of Additional Indebtedness subject to certain limitations in the Master Indenture. In addition, the Master Indenture contains only limited restrictions on the ability of the Members of the Obligated Group to encumber Property. See the information in **Appendix D.**

Certain amendments to the Master Indenture may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding Obligations. Such amendments may adversely affect the security of owners of the Series 2009B Bonds, and such percentage may be composed wholly or partially of the holders of Obligations other than the Series 2009B Obligation securing the Series 2009B Bonds. Certain amendments to the Bond Indenture may be made with the consent of the owners of not less than a majority of the outstanding principal amount of the Series 2009B Bonds outstanding under the Bond Indenture. Such amendments may also adversely affect the security of the owners of the Series 2009B Bonds.

Bankruptcy

In the event an Obligated Group Member files for protection from creditors under the United States Bankruptcy Code, the rights and remedies of the Owners of the Series 2009B Bonds would be subject to various provisions of the United States Bankruptcy Code. If an Obligated Group Member were

to commence a proceeding in bankruptcy, payments made by that Obligated Group Member during the 90-day period immediately preceding such commencement (or, under certain circumstances, during the preceding one-year period) may be voided as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the liquidation of such Obligated Group Member. Security interests and other liens granted by such Obligated Group Member to the Bond Trustee or the Master Trustee and perfected during such preference period may also be voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such grant or perfection.

A bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of such Obligated Group Member, including its accounts receivable and the proceeds thereof, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Bond Trustee or the Master Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Obligated Group Member could also file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have 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 class cast votes 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. Any such plan could adversely affect the Owners and Beneficial Owners of the Series 2009B Bonds.

In the event of bankruptcy of an Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement or the Master Indenture and certain other documents would survive. Accordingly, such Obligated Group Member, as debtor in possession, or a bankruptcy trustee could take action which might adversely affect the exclusion of interest on the Series 2009B Bonds from gross income for federal income tax purposes.

Enforceability of Remedies

Enforcement of remedies under the Bond Indenture, the Loan Agreement, the Master Indenture or any Obligation may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures. Examples of cases of possible limitations on enforceability and of possible subordination of prior claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal bankruptcy laws affecting assignment of revenues earned after, or within 90 days prior to, any institution of bankruptcy proceedings by or against any Obligated Group Member, or the Issuer.

The various legal opinions to be delivered concurrently with the delivery of the Series 2009B Bonds will be qualified as to the enforceability of the applicable instruments by (i) bankruptcy, insolvency, reorganization, fraudulent conveyance, debt adjustment, moratorium and similar laws of general application affecting the rights and remedies of creditors and secured parties; (ii) general principles of equity regardless of whether such enforcement is sought in proceedings in equity or at law, including those relating to equitable subordination; (iii) the exercise and availability of remedies and defenses; (iv) the enforceability of purported waivers of rights and defenses; (v) principles of charitable trust which can limit the use of the assets of a corporation for purposes other than those set forth in its organizational documents; (vi) matters of public policy; (vii) limitations relating to the use of specific assets, such as those applicable to donor and other restricted funds; (viii) limitations under specific statutes, such as those relating to the investment of a corporation's assets; (ix) restrictions on the use of assets which would result in the cessation or discontinuance of any material portion of the health care or related services provided by an Obligated Group Member; and (x) other similar types of laws and principles applicable to not-for-profit or charitable corporations. Any of such limitations, if imposed, may adversely affect the ability of the Master Trustee, the Bond Trustee and the Bondholders to enforce their claims and assert their rights against Obligated Group Members.

Swap Agreement Interest Rate Risk

Swap agreements are subject to periodic "mark-to-market" valuations. A swap agreement may, at any time, have a positive or negative value to the Obligated Group. If Health First chooses to terminate a swap agreement or if a swap agreement is terminated pursuant to an event of default or a termination event as described in the swap agreement, the Obligated Group may be required to pay a termination payment to the swap provider, and such payment may adversely affect the Obligated Group's financial condition. Under certain circumstances, the Obligated Group may be required to deliver Posted Collateral under potential future swap agreements but is not required to do so under the 2009A Swap.

Impact of Market Turmoil

For many months, the financial sector of the economies of the United States and other countries has experienced severe disruption, prompting a number of banks and other financial institutions to seek additional capital, including capital provided through the Federal government, to merge, and, in some cases, to cease operations. These events collectively have led to significant reductions in lending capacity and extension of credit, erosion of investor confidence in the financial sector, and historically aberrant fluctuations in interest rates. This disruption of the credit and financial markets has led to volatility in the securities markets, significant losses in investment portfolios, increased business failures and consumer and business bankruptcies, and is a major cause of the current economic recession. Health First has holdings in a broad range of investments and credit facilities in various financial institutions. The general market disruption has affected and could continue to adversely affect the value of those investments and agreements.

The health care sector, including Health First and Members of the Obligated Group, have been, and will continue to be materially adversely affected by these developments. The consequences of these developments have generally included, realized and unrealized investment portfolio losses, reduced investment income, limitations on access to the credit markets, difficulties in extending existing or obtaining new liquidity facilities, difficulties in remarketing revenue bonds subject to tender, requiring the expenditure of internal liquidity to fund principal payments on tenders of revenue bonds, and increased borrowing costs.

In 2008 and 2009, federal legislation was enacted and regulatory and other initiatives were implemented by agencies of the Federal government and the Federal Reserve Board with the objective of

stabilizing the financial markets by enhancing liquidity, providing additional capital to the financial sector and improving the performance and efficiency of credit markets. Other legislation is pending or under active consideration by Congress, additional regulatory action is being considered by various Federal agencies and the Federal Reserve Board and foreign governments are implementing actions, all of which are intended to continue and strengthen efforts to restore the domestic and global credit markets. It is unclear whether these legislative, regulatory and other governmental actions will have the positive effect that is intended.

On February 17, 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009 ("H.R. 1"). H.R. 1 includes several provisions that are intended to provide financial relief to the health care sector, including an increase through December 31, 2010 in Federal payments to states to fund the Medicaid program, a requirement that states promptly reimburse healthcare providers, and a subsidy to the recently unemployed for health insurance premium costs. H.R. 1 also establishes a framework for the implementation of a nationally-based health information technology program, including incentive payments commencing in 2011 to healthcare providers to encourage implementation of health information technology and electronic medical records. The incentive payments will be payable to hospitals that comply with federal requirements. Health First is unable to determine the cost of complying with these requirements at this time. Failure to comply may result in reduced Medicare and Medicaid revenues in future years.

Nonprofit Healthcare Environment

Health First is a non-profit corporation, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. As a non-profit tax-exempt organization, Health First is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for charitable purposes. At the same time, Health First conducts large-scale complex business transactions and is a major employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care policies and practices, executive compensation, exemption of property from real property taxation, and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service, or the IRS, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

Congressional Hearings. Since 2004, three Congressional Committees have conducted hearings and other proceedings inquiring into various practices of nonprofit hospitals and health care providers. The House Committee on Energy and Commerce (referred to as the House Committee) launched a nationwide investigation of hospital billing and collection practices and prices charged to uninsured patients. Twenty large hospital and healthcare systems were requested by the House Committee to provide detailed historical charge and billing practice information for acute care services. The Subcommittee on Oversight and Investigations of the House Committee conducted hearings in the summer of 2004, at which a number of representatives of the healthcare industry and others testified.

The Senate Finance Committee also conducted hearings on required reforms to the nonprofit sector and released staff discussion drafts on proposals for reform in the area of tax-exempt organizations, including a proposal for a five-year review of tax-exempt status by the IRS. Such hearings continued in 2008 and may continue in 2009. The IRS has requested information from a number of nonprofit hospitals and healthcare organizations regarding their charitable activities, patient billing and joint venture activities.

In addition, the House Committee on Ways and Means has held several hearings to examine the tax-exempt sector hospital tax exemptions and the use of tax-preferred bond financings.

It is uncertain if any of these Committees will pursue further investigations or will recommend legislative changes as a result of these inquiries.

Internal Revenue Service Examination of Compensation Practices. In August 2004, the IRS announced a new enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. The IRS announced that it would contact nearly 2,000 charities and foundations to seek more information about their compensation practices and procedures. This examination project is ongoing and may be extended to loans.

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 addition, 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 includes 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 Health First) 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. For 2008, the IRS provided partial relief in that only section V of Schedule H, which requires the listing of an organization's facilities will be required to be completed, but the entire Form 990 must be completed for tax years beginning in the 2009 tax year. At this time it is difficult to predict the additional burden that completion of the revised Form 990 may place on Health First and its operations.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed against various nonprofit health care providers in federal and state courts across the country regarding billing and collection practices relating to the uninsured. The lawsuits are premised on the notion that federal and state laws require nonprofit health care providers to provide certain levels of free or discounted health care to the uninsured. Thus, the plaintiffs in those lawsuits have alleged, among other things, that the defendants violated federal and state law by billing the uninsured at undiscounted rates, that the medical bills the defendants sent to the uninsured are inflated, and that the defendants engaged in unfair debt collection practices.

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for healthcare organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Obligated Group.

Charity Care. Hospitals are permitted to qualify for tax-exempt status under the Code because the provision of health care historically has been treated as a "charitable" enterprise. This treatment arose before most Americans had health insurance, when charitable donations were required to fund the health care provided to the sick and disabled. Some commentators and others have taken the position that, with the onset of employer health insurance and governmental reimbursement programs, there is no longer any justification for special tax treatment for the health care industry, and the availability for tax-exempt status should be eliminated. Management of Health First, on behalf of the Obligated Group, considers the likelihood of such a dramatic change in the law to be remote; nevertheless, federal and state tax authorities are beginning to demand that tax-exempt hospitals justify their tax-exempt status by documenting their charitable care and other community benefits.

As further described above under the caption **"BONDHOLDERS' RISKS – Nonprofit Healthcare Environment –** ***Litigation Relating to Billing and Collection Practices*****,"** charity care issues also serve as the basis of certain claims against major hospital systems throughout the United States on behalf of uninsured patients. The more than 60 lawsuits filed against non-profit hospitals raise a number of claims against the hospital defendants, including claims that the defendants, by accepting tax-exempt status, entered into agreements with the federal, state and local governments promising to provide free or reduced care to all those who need it; the uninsured patients are beneficiaries of those agreements and can bring suit on them; the defendants engaged in illegal and oppressive tactics against the uninsured; the defendants engaged in illegal price discrimination by charging the uninsured rates far in excess of the rates charged to such third party payors as Medicare and certain insurers; the defendants violated state consumer fraud statutes; the defendants allowed a portion of their properties to be used by for-profit entities at less than fair value and engaged in other inappropriate transactions with doctors and certain insiders; the defendants transferred monies illegally to their affiliates for other than charitable purposes; and the defendants and the American Hospital Association, another named defendant in many of the lawsuits, conspired with the defendants to charge illegal prices to the uninsured.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities have been challenged on the grounds that healthcare providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. While Health First is not aware of any current challenge to the tax exemption afforded to any material real property of the Members of the Obligated Group, there can be no assurance that these types of challenges will not occur in the future.

Federal and State Legislation

In recent years, a number of bills proposing to regulate, control, or alter the method of financing health care costs have been discussed and certain of such bills have been introduced in Congress and various state legislatures, including Florida. There are wide variations among these bills and proposals. Because of the many possible financial effects that could result from enactment of a bill or bills proposing to regulate the health care industry, implement a national health insurance program or other health care reform, it is not possible at this time to predict with assurance the effect on the business of the Obligated Group if any of these bills are enacted.

A significant portion of the revenues of Health First are derived from Medicare and Medicaid and other third-party payers. Medicare is a federal program administered by CMS, an agency of HHS, through fiscal intermediaries and carriers. Medicaid is a federal/state medical assistance program administered by the various states. Medical benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other need requirements.

Significant changes have been and may continue to be made in certain of these programs, which changes could have an adverse impact on the financial condition of Health First. In addition, bills have been and may be introduced in the Congress of the United States which, if enacted, could adversely affect the operations of the Obligated Group by, for example, decreasing payment by third-party payors such as Medicaid or limiting the ability of the physicians on the medical staff of Health First to provide services or increase services provided to patients. The following paragraphs describe certain recent, significant changes to the programs.

Federal and State Policies Affecting Health Care Facilities. Legislation is periodically introduced in Congress and in the Florida Legislature which could result in limitations on revenues, reimbursements, costs or charges for health care facilities. At present, no determination can be made concerning whether, or in what form, such legislation could be introduced and enacted into law. Health care facilities may be affected significantly by changes in federal health care policy. These changes may reduce federal payments under Medicaid and Medicare, increase or reduce federal regulation of health facilities and encourage more competition among health care providers. The impact of future cost control programs and future legislation upon the projected financial performance of Health First cannot be determined at this time.

Medicare Reimbursement. Medicare is a federal governmental health insurance system under which physicians, hospitals and other health care providers are reimbursed or paid directly for services provided to eligible elderly and disabled persons. Medicare is administered by the Centers for Medicare and Medicaid Services, or CMS, of the federal Department of Health and Human Services. In order to achieve and maintain Medicare certification, a health care provider must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state in which the provider is located and/or The Joint Commission.

The Obligated Group Members depend significantly on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material effect on the Members. For example, Medicare program changes resulting from the Balanced Budget Act of 1997, as subsequently amended and modified, have limited increases in Medicare payments that were otherwise provided by law, and/or reduced Medicare payment or reimbursement for certain health care services provided to Medicare beneficiaries. The Balanced Budget Act of 1997 has had and will continue to have a significant negative effect on acute care hospitals and other Medicare providers. Future reductions in

Medicare reimbursement, or increases in Medicare reimbursement in amounts less than increases in the costs of providing care, may have a material adverse financial effect on the Obligated Group.

A substantial portion of the Medicare revenues of the Members is derived from payments made for services rendered to Medicare beneficiaries under a prospective payment system, or PPS. Under a prospective payment system, the amount paid to the provider for an episode of care is established by federal regulation and is not related to the provider's charges or costs of providing that care. Presently, inpatient and outpatient services, skilled nursing care, and home health care are paid on the basis of a prospective payment system. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group, or DRG. DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. All services paid under the PPS for hospital outpatient services are classified into groups called ambulatory payment classifications, or APCs. Services in each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. The capital component of care is paid on a fully prospective basis.

PPS-exempt hospitals and units (inpatient psychiatric, rehabilitation and long-term hospital services) are currently reimbursed for their reasonable costs, subject to a cost per discharge target. These limits are updated annually by an index generally based upon inflationary increases in costs of providing health care services.

From time to time, the factors used in calculating the prospective payments for units of service are modified by CMS, which may reduce revenues for particular services. Additionally, as part of the federal budgetary process, Congress has regularly amended the Medicare law to reduce increases in payments that are otherwise scheduled to occur, or to provide for reductions in payments for particular services. These actions could adversely affect the revenues of the Members of the Obligated Group.

Additional payments may be made to individual providers. Hospitals that treat a disproportionately large number of low-income patients (Medicaid and Medicare patients eligible to receive supplemental Social Security income) currently receive additional payments in the form of disproportionate share payments. Additional payments are made to hospitals that treat patients who are costlier to treat than the average patient; these additional payments are referred to as "outlier payments." Hospitals are paid for a portion of their direct and indirect medical education costs. These additional payments are also subject to reductions and modifications in otherwise scheduled increases as a result of amendments to relevant statutory provisions.

The costs of providing a unit of care may exceed the revenues realized from Medicare for providing that service. Additionally, the aggregate costs to a provider of providing care to Medicare beneficiaries may exceed aggregate Medicare revenues received during the relevant fiscal period.

Medicaid Reimbursement. Medicaid is the federally assisted, state administered, medical assistance program authorized under Title XIX of the Social Security Act that provides reimbursement for a portion of the cost of caring for indigent persons who are aged, blind or disabled, or members of families who are eligible for Aid to Families with Dependent Children. The Medicaid program provides payments for medical items and services for any person who is determined to be eligible for Medicaid assistance on the date of service. Federal and State funds support the Medicaid program. Medicaid benefits are available, within prescribed limits, to persons meeting certain minimum income or other need requirements. Payments under the Medicaid program represented 6% of the Obligated Group's gross patient revenue for the most recent fiscal year.

The Florida Medicaid Program is administered by the Agency for Health Care Administration ("AHCA") and is funded by federal and state appropriations. The financial condition of and budgetary factors facing the State of Florida may affect the absolute level of Medicaid revenues.

Payments made to health care providers under the Medicaid program are subject to changes as a result of federal or State legislative and administrative actions, including further changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may continue to occur in the future, particularly in response to federal and state budgetary constraints coupled with increased costs for covered services.

Hospitals participating in the Medicaid program are subject to numerous requirements and regulations under the program. Failure to remain in compliance with any program requirements may subject the Medicaid provider to civil and/or criminal penalties, including fines and suspension or expulsion from the program, preventing the provider from receiving any funds under the Medicaid program. Noncompliance with Medicaid requirements, and suspension or exclusion from the Medicaid program, can also be a basis for mandatory or permissive suspension or exclusion from the Medicare program.

Significant changes have been and may be made in the Medicaid program which could have a material adverse impact on the financial condition of the Obligated Group Members. Health care providers have been affected significantly in the last several years by changes to federal and state health care laws and regulations, particularly those pertaining to Medicaid. The purpose of much of this statutory and regulatory activity has been to contain the rate of increase in health care costs, particularly costs paid under the Medicaid program. Diverse and complex mechanisms to limit the amount of money paid to health care providers under the Medicaid program have been enacted, and it is possible that such limitations may have a material adverse effect on the operations or financial condition of the Obligated Group Members.

Medicare/Medicaid Conditions of Participation. Certain health care facilities must comply with standards called "Conditions of Participation" in order to be eligible for Medicare and Medicaid reimbursement. Under the Medicare rules, hospitals accredited to the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") are deemed to meet most of the Conditions of Participation ("Deemed Status"). However, CMS may request that the state agency responsible for licensing hospitals, on behalf of CMS, conduct a "sample validation survey" of a hospital to determine whether it is complying with the Medicare or Medicaid Conditions of Participation. Failure to maintain JCAHO accreditation or to otherwise comply with the Conditions of Participation could materially adversely affect the revenues of Health First.

Billing Practices. The United States Department of Justice, the Federal Bureau of Investigation and the Office of the Inspector General of HHS have been conducting investigations and audits of the billing practices of many health care providers. The Obligated Group Members may be required to undergo such audits by one or more of these agencies and may be required to make payments to resolve any such audits. It is possible that any such payments may be substantial and could have a material adverse effect on the operations or condition, financial or otherwise, of the Obligated Group Members.

In addition, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") also added provisions that outlaw certain types of manipulative Medicare billing practices. These include improperly coding (for billing purposes) services rendered in order to claim a higher level of reimbursement and billing for the provision of services or items that were not medically necessary. HIPAA also created two new crimes that are based on the traditional crimes of fraud and theft but are

applied specifically to health benefit programs. This law increases the legal risk of provider billing and increases the risk that a Medicare provider will be the subject of a fraud investigation.

Audits and Withholds. Medicare and Medicaid participating hospitals and nursing homes are subject to audits and retroactive audit adjustments for Medicare payments. Any such adjustments could be in excess of reserves for such purpose, if any, maintained by Health First or other Obligated Group Members, and such excesses could be substantial. Medicare and Medicaid regulations also provide for withholding Medicare and Medicaid payment in certain circumstances, and such withholds could have a substantial adverse effect on the ability of the Obligated Group Members to make payments on their obligations or on their overall financial condition. There is no assurance that a significant payment may not be withheld from an Obligated Group Member in the future.

RAC Audits. In accordance with the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA") and the Tax Relief and Health Care Act of 2006 (the "2006 Tax Act"), CMS has designated the use of recovery audit contractors ("RAC") to search for improper Medicare payments in Arizona, Florida, California, Massachusetts, New York and South Carolina. The CMS initiative originally was part of a demonstration program that expired in 2008, but the provisions of the 2006 Tax Act made the RAC program permanent and require CMS to expand the program to all 50 states by no later than 2010. CMS has selected the RAC contractor for the different regions, and audit activity is anticipated to begin in certain of these regions in 2009. This permanent RAC program will begin with claims paid beginning October 1, 2007. Management cannot anticipate the amount or volume of its past Medicare claims that will be reviewed under the RAC program or what the results of any such audits may be.

Referral Restrictions. In addition to the foregoing Medicare and Medicaid reimbursement limitations, other aspects of the Medicare and Medicaid program may affect the Obligated Group. In 1977, Congress adopted the Medicare and Medicaid Anti-Fraud and Abuse Amendments of 1977 (as amended, the "Anti-Fraud and Abuse Law"), which have been strengthened by subsequent amendments and the creation of the Office of Inspector General ("OIG") to enforce compliance with the statute. HIPAA also contains provisions for enhanced enforcement, increases to the scope of the Anti-Fraud and Abuse Law, additional sanctions for violations of the laws and other measures designed to protect the integrity of federal health care programs. The laws provide for civil monetary and criminal penalties and exclusion from the Medicare/Medicaid programs for knowing and willful solicitation, receipt, offer or payment of remuneration directly or indirectly in return for or to induce the referral of Medicare or Medicaid business.

Because the language of the Anti-Fraud and Abuse Law and similar applicable anti-fraud and abuse statutes is very broad, these statutes potentially apply to many ordinary business arrangements pursuant to which remuneration passes between health care providers, physicians, suppliers and others who are in a position to make referrals to each other. There can be no assurance that additional challenges or investigations will not occur in the future, or that existing arrangements will not require restructuring or elimination in order to comply with applicable laws of this nature, particularly if the trend toward greater regulation of relationships between health care providers continues.

In addition, other types of common business activities of hospitals and other health care providers, such as establishing reserves for potential adjustments to payments from third-party payors, are being viewed as conduct subject to civil and criminal penalties. Arrangements with physicians are particularly suspect, with increased emphasis on activities often engaged in by hospitals, including Health First, such as joint ventures with physicians, physician recruitment and retention programs, physician referral services, hospital-physician service or management contracts, loans by hospitals to physicians, space or equipment rentals and service or vendor relationships. While management of Health First is not

aware of any investigations pending or threatened against it or affiliates, there is no assurance that additional investigations might not ensue, with the potential for sanctions that could have a material adverse affect on the operations or financial condition of Health First.

Florida Licensure. Health First is required to be licensed by AHCA. Such licensure requires compliance with an array of operational, physical plant and other statutory and regulatory requirements. In addition, Florida's hospital licensing law includes a requirement for treatment of persons with emergency medical conditions which is similar to that contained in the Medicare law. While Health First believes that it is in material compliance with licensure requirements, there can be no assurance that AHCA will not challenge Health First's past, current or future activities under these laws and regulations, or that it and the other Obligated Group Members will be able to comply on a cost effective basis with licensure requirements that may be enacted or adopted in the future.

Florida Patient Self-Referral Act. In 1992, the Florida legislature enacted the Patient Self-Referral Act. This law contains provisions that are similar to those of the Medicare/Medicaid Anti-Kickback Laws and the Medicare/Medicaid Anti-Fraud and Abuse Law and the Stark Law described hereinafter. In addition, in 1996, the Florida Legislature adopted a patient brokering law that contains certain expansions of the prohibitions. Unlike the federal laws, the Florida laws apply to all patients regardless of payer class. Although Health First believes that it is in compliance with these laws and regulations, there can be no assurance that federal or state regulatory authorities will not challenge past, current or future activities under these laws, and there can be no assurance that it and the other Obligated Group Members will not be found to have violated these laws, and if so, whether any enforcement activity would have a material adverse effect on the operations and financial condition of the Obligated Group Members.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations, or HMOs, and preferred provider organizations, or PPOs, that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Medicare and Medicaid also purchase hospital care using managed care options. Payments to hospitals from managed care plans typically are lower than those received from traditional indemnity or commercial insurers. Defined broadly, for both of the fiscal years ended September 30, 2007 and September 30, 2008, managed care payments constituted approximately 43% of gross patient service revenues of the Obligated Group. See **APPENDIX A – "DESCRIPTION OF THE OBLIGATED GROUP – Selected Financial Information about the Combined Group – Sources of Gross Patient Revenue."**

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. The hospital may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the hospital's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses and may require hospitals to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the hospital. Hospitals from time to time have disputes with managed care payors concerning payment and contract interpretation issues.

Failure to maintain contracts could have the effect of reducing the Obligated Group Members' market share and net patient services revenues. Conversely, participation may result in lower net income if participating hospitals are unable to adequately contain their costs. Thus, managed care poses one of the most significant business risks (and opportunities) the hospitals face.

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to the beneficiaries. Under these laws, hospitals and others can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, billing in a manner that does not comply with government requirements or including inaccurate billing information, billing for services deemed to be medically unnecessary, or billings accompanied by an illegal inducement to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare/Medicaid programs, civil monetary penalties, and suspension of Medicare/Medicaid 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 sanctions may be, and often are, imposed for each violation.

Laws governing fraud and abuse may apply to a hospital and to nearly all individuals and entities with which a hospital does business. Fraud investigations, settlements, prosecutions and related publicity can have a catastrophic effect on hospitals. See **"*Enforcement Activity*"** below. Major elements of these often highly technical laws and regulations are generally summarized below.

False Claims Act. The False Claims Act, or FCA makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government, and may include claims that are simply erroneous. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is paid by any federal or state health care program. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-

physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions.

Violation or alleged violation of the Anti-Kickback Law most often results in settlements that require multi-million dollar payments and compliance agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. Violation is a felony, subject to a fine of up to $250,000 for each act (which may be each item or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medicaid programs. In addition, civil monetary penalties of $10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or an "assessment" of three times the amount claimed may be imposed.

Stark Referral Law. The federal "Stark" statute prohibits the referral of Medicare and Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician has a financial relationship. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual, for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain technical requirements are met, many ordinary business practices and economically desirable arrangements between hospitals and physicians arguably constitute "financial relationships" within the meaning of the Stark statute, thus triggering the prohibition on referrals and billing. Most providers of the designated health services with physician relationships have some exposure to liability under the Stark statute.

Medicare may deny payment for all services related to a prohibited referral and a hospital that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare program. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. The government may also seek substantial civil monetary penalties, and in some cases, a hospital may be liable for fines up to three times the amount of any monetary penalty, and/or be excluded from the Medicare and Medicaid programs. Although Stark does not have an extensive enforcement history, potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

Exclusions from Medicare or Medicaid Participation. The government may exclude from Medicare/Medicaid program participation a hospital that is 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, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a hospital would be decertified and no program payments can be made. Any hospital exclusion could be a materially adverse event, even within a large hospital system.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws and thus, health care providers may have a higher risk of imposition of monetary penalties as a result of an administrative enforcement action.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions potentially could be imposed.

Enforcement Activity. Enforcement activity against health care providers has increased and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments and/or by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above and therefore, penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals in a health system, as the government often extends enforcement actions regarding health care fraud to other hospitals in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse as to a hospital could have materially adverse consequences to a health system taken as a whole.

Review of Outlier Payments. CMS is reviewing health care providers that are receiving large proportions of their Medicare revenues from outlier payments. Health care providers found to have obtained inappropriately high outlier payments will be subject to further investigation by the CMS Program Integrity Unit and potentially the Office of Inspector General. Management of the Obligated Group Members does not believe that any potential review of the Obligated Group Members would materially adversely affect any of the Obligated Group Member's results of operations.

HIPAA Privacy Requirements. HIPAA addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from $50,000 to $250,000 and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

EMTALA. The Emergency Medical Treatment and Active Labor Act, or EMTALA, is a federal civil statute that requires hospitals to treat or conduct a medical screening for emergency conditions and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to $50,000 per offense and

exclusion from Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation.

Licensing, Surveys, Investigations and Audits. Health facilities are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and the JCAHO. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses could reduce hospital utilization or revenues, or a hospital's ability to operate all or a portion of its facilities.

Environmental Laws and Regulations. Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Hospitals may be subject to requirements related to investigating and remedying hazardous substances located on their property, including such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Business Relationships and Other Business Matters

Hospital Pricing. Inflation in hospital costs may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. Major purchasers of hospital services could also take action to restrain hospital charges or charge increases. The House Committee on Energy and Commerce has launched a nationwide investigation of hospital billing practices and prices charged to uninsured patients.

As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers and hospitals may be forced to reduce fees for their services. Decreased utilization could result and hospitals' revenues may be negatively impacted.

Integrated Physician Groups. Hospitals and hospital systems often own, control or have affiliations with relatively large physician groups. Generally, the sponsoring hospital or health system will be the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. These goals may not be

achieved, however, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

Integrated delivery systems carry with them the potential for legal or regulatory risks in varying degrees. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization.

Indigent Care, Underinsured and Uninsured Patients. Tax-exempt hospitals often treat large numbers of indigent patients who are unable to pay in full for their medical care. Typically, urban, inner-city hospitals may treat significant numbers of indigents. These hospitals may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage affects the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Physician Medical Staff. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including other specialty hospitals, hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Also, competition could come from other forms of health care delivery that could offer low priced services to the same population. These services could be substituted for some of the revenue generating services presently offered by the Obligated Group Members. Overall, the effects of such increased competition on the revenues of the Obligated Group Members, including pressures for increased discounts and contracts with alternative delivery systems, cannot be predicted. It is possible that increased competition could adversely affect the operations and financial condition of the Obligated Group Members.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Antitrust. While enforcement of the antitrust laws against hospitals has been less intense in recent years, antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is evolving, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines.

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation.

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold income taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

Staffing. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on hospitals.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of an Obligated Group Member if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Private Health Plans and Insurers

Private insurance companies and other third-party payers are permitted to contract selectively with hospitals either on an "exclusive" or a "preferred" provider basis. Subscribers to a preferred provider plan are given a financial incentive to use those hospitals that have contracted with the plan. Under an exclusive provider plan, private payers would limit policy coverage to services provided by selected providers. Thus, with this contracting authority, private payers could insist upon paying selected hospitals at a rate lower than standard charges or could direct patients away from certain hospitals. Often, such contracts are enforceable for a stated term, regardless of provider losses. Further, certain contracts may contain the requirement that the hospital care for the insurance plan's enrollees for a certain period of time regardless of whether the plan has funds to make payments to the hospital.

Health First has contracted with several third-party payors to provide services under such contracts, but there is no assurance that Health First will retain such contracts in the future or obtain other contracts of like kind. Failure to retain or obtain such contracts may adversely affect the future financial conditions of Health First and the other Obligated Group Members. Conversely, participation with third-parties payors may maintain or increase a hospital's patient base, but, if the payment arrangements under such third-party contracts result in payment at less than actual cost, such participation may adversely affect the future financial conditions of the Members of the Obligated Group.

Recent efforts by third-party payors have resulted in tiered pricing structures for certain managed care products under which an insured may be subjected to increased co-pays or deductibles depending on whether a particular hospital is classified by the payor as a high-priced or low-priced provider. Management is not aware of any such pricing structures by third-party payors in Florida at this time and therefore the effect of the implementation of such structures upon Health First and future Members of the Obligated Group cannot be determined.

Health Plan Financial Pressure and Insolvency

Over the last several years, a number of health plans have become insolvent or experienced financial pressure or cash flow issues. Such plans range in size from smaller local provider-based plans to some of the largest plans in the United States. These plans include traditional indemnity insurers, as well as health maintenance organizations and preferred provider organizations. Health plans that experience financial pressure may slow payment to providers, withhold pay entirely, or utilize claims payment methodology that systematically reduces compensation on a per claim basis. Health plans that become insolvent may seek either federal bankruptcy or state insurance insolvency protection. Such bankruptcy or insurance insolvency protection may require that providers repay certain claims to the health plan, or result in certain claims becoming uncollectible. It is not possible at this time to predict the future of the managed care industry in general or of specific third-party payors, or to predict what impact the state of the financial health of such organizations might have on Health First or future Members of the Obligated Group.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of Health First. The maintenance by Health First and Members of the Obligated Group of their status as organizations described in Section 501(c)(3) of the Internal Revenue Code is contingent upon continued 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 and educational purposes and their avoidance of transactions that may cause their assets to inure to the benefit of private individuals. Failure to comply with such legal requirements may cause such organizations to lose their Section 501(c)(3) tax-exempt status. Loss of that status could cause interest on the Series 2009B Bonds to become subject to federal income taxation, potentially retroactive to the date of issuance if loss of exemption is retroactive. The Bond Indenture does not contain provisions for an increase in the interest rates borne by the Series 2009B Bonds should such Series 2009B Bonds be declared taxable or for mandatory redemption of the Series 2009B Bonds in such event. Loss of tax-exempt status by Health First or a Member of the Obligated Group also would subject such Members to taxes that would adversely affect their revenues and which may be substantial. For these reasons, loss of tax-exempt status of the Members of the Obligated Group could have material adverse consequences on the financial condition of the Obligated Group as a whole.

In recent years, the IRS has devoted more resources to auditing federally tax-exempt organizations, primarily large tax-exempt health care systems (and universities). Further, the IRS has announced that it intends to closely scrutinize transactions between non-profit corporations and for profit entities, and in particular has issued audit guidelines for tax-exempt hospitals. Although specific activities of hospitals, such as medical office building leases and compensation arrangements and other contracts with physicians, have been the subject of interpretations by the IRS in the form of private letter rulings, many activities have not been addressed in any official opinion, interpretation or policy of the IRS. Because Health First conducts many operations involving private parties, there can be no assurances that certain of its transactions would not be challenged by the IRS. For example, to the extent Health First or Members of the Obligated Group incur losses from the operation of physician practices, such losses are likely to be closely scrutinized by the IRS to ensure that there is no prohibited inurement or private benefit to those physicians.

The IRS has taken the position that hospitals which are in violation of the Medicare and Medicaid Anti-Fraud and Abuse Law (or other laws) may also be subject to revocation of their tax-exempt status, perhaps retroactively to the date of the violative conduct. As a result, tax-exempt hospitals, which have, and will continue to have, extensive transactions with physicians, are subject to an increased degree of scrutiny and perhaps enforcement by the IRS. Although management of Health First believes that the activities of Health First are in compliance with presently applicable standards for qualification as a tax-exempt organization, no assurance can be given that it will continue to comply with all applicable standards, especially if such standards are made more restrictive in the future.

The IRS also has indicated that it intends to concentrate on the taxable subsidiary activities and unrelated trade or business income producing activities of health care systems. The IRS will require significantly more information to be filed annually by tax-exempt organizations which information will assist the efforts of the IRS to more closely monitor the activities of tax exempt organizations. In addition, this information will be made available to Congress to form the basis for possible future legislation in this area.

If the IRS were to find that Health First has participated in activities in violation of certain regulations or rulings, the tax-exempt status of such entity could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by Health First would result in loss of tax exemption of the Series 2009B Bonds and of other tax-exempt debt of the Obligated Group and defaults in covenants regarding the Series 2009B Bonds and other related tax-exempt debt likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Health First.

In certain cases, the IRS has imposed substantial monetary penalties and future charity care or public benefit obligations on tax-exempt hospitals in lieu of revoking their 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 are typically imposed on the tax-exempt hospital pursuant to a "closing agreement" with respect to the hospital's alleged violation of Section 501(c)(3) exemption requirements. Given the wide range of complex transactions entered into by the Members of the Obligated Group and uncertainty regarding how tax-exemption requirements may be applied by the IRS, Members of the Obligated Group are, and will be, at risk for incurring monetary and other liabilities imposed by the IRS through this "closing agreement" or similar process.

Bills have been introduced in Congress that would require a tax-exempt hospital to provide a certain amount of charity care and care to Medicare and Medicaid patients in order to maintain its tax-exempt status and avoid the imposition of an excise tax. Other legislation would have conditioned a hospital's tax-exempt status on the delivery of adequate levels of charity care. Congress has not enacted such bills. However, there can be no assurance that similar legislative proposals or judicial actions will not be adopted in the future.

State and Local Tax Exemption. State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of Health First is currently treated as exempt from real property taxation. Although the real property tax exemption of Health First with respect to Health First has not, to the knowledge of management of Health First, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemption of Health First.

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 no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the Obligated Group by requiring payment of income, local property or other taxes.

Maintenance of Tax-Exempt Status of Interest on the Series 2009B Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2009B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that the Issuer files an information report with the IRS. Health First has covenanted in the Loan Agreement and in the Tax Compliance Agreement (as hereinafter defined) that they will comply with such requirements. Future failure by Health First to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2009B Bonds as taxable, retroactively to the date of issuance. The Issuer has covenanted in the Bond Indenture and in the tax compliance agreement relating to the Series 2009B Bonds that it will not take any action or refrain from taking any action that would cause interest on the applicable Series 2009B Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2009B Bonds may be, from time to time, subject to audits by the IRS. The Obligated Group has not sought to obtain a private letter ruling from the IRS with respect to the Series 2009B Bonds, and the opinion of Bond Counsel is not binding on the IRS.

There is no assurance that an IRS examination of the Series 2009B Bonds will not adversely affect the market value of the Series 2009B Bonds. See **"TAX MATTERS"** herein.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As tax-exempt organizations, the Obligated Group Members are limited with respect to their use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of one or more Obligated Group Member's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Obligated Group and might lead to loss of tax exemption of interest on the Series 2009B Bonds.

Malpractice and General Liability Insurance

In recent years, the number of malpractice and general liability suits and the dollar amount of damage recoveries have increased nationwide, resulting in substantial increases in insurance premiums. Actions alleging wrongful conduct and seeking punitive damages are often filed against hospitals. Insurance does not provide coverage for judgments for punitive damages. Health First self-insures for its workers' compensation exposure. Health First maintains commercial insurance for general liability exposure and malpractice exposure. Although there are various medical malpractice claims, both threatened and pending, against Health First, Health First believes that existing funding levels and coverage limits adequately cover any such liability exposures and the final disposition of any such claims will not have a material adverse effect upon the financial condition of Health First, in the aggregate. Should judgments or settlements exceed insurance coverages or self-insurance reserves, it could have a material adverse effect on the financial condition of Health First. Moreover, Health First is unable to predict the cost or availability of any such insurance in the future.

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. The recent hurricane seasons and the performance of the stock markets have reduced the capacity of the insurance industry in general which has led to increased premiums and reduced coverage for purchasers of insurance. Management of Health First believes that the current coverage limits provide reasonable coverage under the circumstances to protect the property of Health First. Nevertheless, should losses exceed insurance coverage, it could have a material adverse effect on the financial condition of the Obligated Group. Moreover, Health First is unable to predict the cost or availability of any such property and casualty insurance when its current coverage expires.

Inability to Obtain Certificate of Need

The Health Facilities and Health Services Planning Act of the State provides for a certificate of need program which applies to, among other matters, the offering or development of new institutional health services. The certificate of need program in Florida is administered by AHCA. Florida's certificate of need program requires, among other things, the AHCA's review of proposed capital expenditures by or on behalf of providers in excess of threshold amounts, the review of proposed

additions or terminations of health services by or on behalf of a provider under certain conditions, and the proposed acquisition of major medical equipment in excess of specified expenditure minimums. Florida's certificate of need requirements may restrict Members of the Obligated Group from adding or changing facilities and services as necessary to respond to competitive and market forces. Failure to obtain a certificate of need in order to carry out any future capital plans or initiate new services could adversely affect the financial condition of the Members of the Obligated Group. Further, changes to existing certificate of need requirements or elimination of certificate of need requirements entirely could adversely affect the Members of the Obligated Group by making it easier for competitors to expand or new competitors to enter the market without the need for the regulatory approval now required by the certificate of need program.

No certificates of need were required for the capital improvements other than those held by Health First.

Changes in Health Care Delivery due to Technology and Services

Scientific and technological advances, new procedures, drugs and appliances, preventive medicine, occupational health and safety, and outpatient health care delivery may reduce utilization and revenues of the Members of the Obligated Group in the future. Technological advances in recent years have accelerated the trend toward the use by hospitals of sophisticated and costly equipment and services for diagnosis and treatment. The acquisition and operation of certain equipment or services may continue to be a significant factor in hospital utilization, but the ability of the Members of the Obligated Group to offer such equipment or services may be subject to the availability of equipment or specialists, governmental approval or the ability to finance such acquisitions or operations.

Other Risk Factors

Investments. The Obligated Group has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be and historically have been at times material.

Construction Risks. Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors. Cost overruns could cause the costs to exceed available funds.

Other Future Risks. In the future, the following additional factors, among others, may adversely affect the operations of health care providers, including the Members of the Obligated Group, to an extent that cannot be determined at this time:

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

- Reduced demand for the services of the Members of the Obligated Group that might result from decreases in population.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- The occurrence of a natural or man-made disaster that could damage the facilities of the Members of the Obligated Group, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the Members of the Obligated Group's operations and the generation of revenues from the facilities.

- Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

Acceleration. The Series 2009B Bonds may be subject to acceleration upon certain Events of Default under the Bond Indenture.

LITIGATION

The Issuer

There is no controversy or litigation of any nature now pending or, to the knowledge of the Issuer, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2009B Bonds, or in any way contesting or affecting the validity of the Series 2009B Bonds, or any proceedings of the Issuer with respect to the Series 2009B Bonds or the existence or powers of the Issuer.

The Obligated Group

See **"LITIGATION"** in **Appendix A** hereto for a summary of legal actions or other proceedings, investigations or inquiries relating to the Members of the Obligated Group.

TAX MATTERS

Opinion of Bond Counsel

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Issuer and the Members of the Obligated Group must continue to meet after the issuance of the Series 2009B Bonds in order that interest on the Series 2009B Bonds not be included in gross income for federal income tax purposes. The Issuer's or any Member's failure to meet these requirements may cause interest on the Series 2009B Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Issuer and the Members of the Obligated Group have covenanted in the Bond Indenture, the Loan Agreement and the Master Indenture to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2009B Bonds.

In the opinion of Bond Counsel, assuming continuing compliance by the Issuer and the Members of the Obligated Group with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Series 2009B Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2009B Bonds is not an item of tax preference for purposes of

the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on "corporations" (as defined in the Code). Bond Counsel is further of the opinion that the Series 2009B Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined therein.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Obligated Group in the Master Indenture and the Loan Agreement, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2009B Bonds and of the property financed thereby), and on the opinion being delivered by David Mathias, Esquire, counsel to Health First, in connection with the delivery of the Series 2009B Bonds with respect to Health First being an organization described in Section 501(c)(3) of the Code, without undertaking to verify the same by independent investigation.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2009B Bonds. Prospective purchasers of the Series 2009B Bonds should be aware that the ownership of the Series 2009B Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2009B Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry the Series 2009B Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2009B Bonds in passive income for certain S corporations. In addition, the interest on the Series 2009B Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2009B BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Series 2009B Bonds may be subject to state or local income taxation under applicable state or local laws in jurisdictions other than Florida. Purchasers of the Series 2009B Bonds should consult their tax advisors as to the income tax status of interest on the Series 2009B Bonds in their particular state or local jurisdiction.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2009B Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2009B Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2009B Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2009B Bonds.

Tax Treatment of Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2009B Bonds maturing in the years 2033 and 2039 (collectively the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2009B Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

UNDERWRITING

The Underwriters have agreed to purchase the Series 2009B Bonds at an aggregate purchase price of $84,142,790.60 (representing the aggregate principal amount of the Series 2009B Bonds, less original issue discount of $1,020,409.40, less Underwriters' discount of $686,800.00). Pursuant to the purchase contract, the Issuer and Health First have agreed to indemnify the Underwriters against certain liabilities. The Underwriters have reserved the right to join with dealers and other underwriters in offering the Series 2009B Bonds to the public. The obligation of the Underwriters to accept delivery of the Series 2009B Bonds is subject to the various conditions of the purchase contract.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Series 2009B Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2009B Bonds.

LEGAL MATTERS

All legal matters incident to the authorization and validity of the Series 2009B Bonds are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Bond Counsel's approving opinion will be delivered with the Series 2009B Bonds. The proposed text of the legal opinion of Bond Counsel is provided in **Appendix G** hereto. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel has not been engaged by the Issuer to confirm or verify, and, except as may be specifically set forth in an opinion of Bond Counsel delivered to the Underwriters (on which only the Underwriters may rely), expresses and will express no opinion as to, the accuracy, completeness or

fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the Issuer or the Series 2009B Bonds that may be prepared or made available by the Issuer, the Underwriters or others to the holders of the Series 2009B Bonds or other parties.

Certain legal matters will be passed upon for the Issuer by its counsel Angela A. Abbott, P.A., Titusville, Florida, for Health First and Holmes Corporation by its counsel, David Mathias, Esquire, Rockledge, Florida, for CCH Corporation and the Cape Canaveral Hospital District by Walter T. Rose, Jr., P.A., Cocoa Beach, Florida, and for the Underwriters by their counsel, Foley & Lardner LLP, Jacksonville, Florida.

FINANCIAL ADVISOR

Health First has retained AMS Capital Advisors, Inc., Jacksonville, Florida, to serve as financial advisor to the Obligated Group in connection with the issuance of the Series 2009B Bonds. The Financial Advisor assisted the Obligated Group in matters relating to the planning and issuance of the Series 2009B Bonds. However, the Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The audited consolidated financial statements of Health First, Inc. and subsidiaries as of September 30, 2007 and 2008, and for the two years then ended, included in **Appendix B** to this Official Statement, have been audited by Ernst & Young LLP, independent certified public accountants as stated in their reports appearing herein.

INTERIM FINANCIAL INFORMATION

The unaudited interim consolidated financial statements of Health First and subsidiaries as of March 31, 2009, and for the six month periods ended March 31, 2008 and 2009, are included in **Appendix C** to this Official Statement. The unaudited consolidated financial statements were prepared by management of Health First in accordance with GAAP. Operating results for the six months ended March 31, 2009, are not necessarily indicative of the results that may be expected for the entire year ending September 30, 2009.

RATINGS

Moody's Investors Service ("Moody's") has assigned a rating of "A3" to the Series 2009B Bonds and Standard & Poor's Ratings Group ("S&P") has assigned a rating of "A-" to the Series 2009B Bonds, based on the capacity of the Obligated Group to pay debt service on the Series 2009B Bonds. The ratings and an explanation of their significance may be obtained from the rating agency furnishing such rating. Such ratings reflect only the respective views of the rating agencies. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant.

Except as set forth below under **"DISCLOSURE MATTERS,"** the Issuer, the Obligated Group and the Underwriters have undertaken no responsibility to bring to the attention of the holders of the Series 2009B Bonds any proposed revision or withdrawal of the ratings of the Series 2009B Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Series 2009B Bonds.

DISCLOSURE MATTERS

Continuing Disclosure

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold or sell the Series 2009B Bonds and the Issuer will not provide any such information. The Obligated Group has undertaken all responsibilities for any continuing disclosure to Bondholders as described below, and the Issuer shall have no liability to the Bondholders or any other person with respect to such disclosures.

Health First has covenanted for the benefit of the registered and beneficial owners of the Series 2009B Bonds to provide (i) certain unaudited financial information for the Obligated Group for each fiscal quarter, including a balance sheet, a statement of operations and changes in net assets by not later than 45 days after the end of each fiscal quarter (except the fourth fiscal quarter, which must be delivered within 90 days) (each, a "Quarterly Report"), commencing with the Quarterly Report for fiscal quarter ended September 30, 2009, (ii) certain audited annual financial information and operating data relating to the Obligated Group by not later than 180 days following the end of Health First's fiscal year (which fiscal year currently ends on September 30) (the "Annual Report"), commencing with the Annual Report for the fiscal year ending September 30, 2009, and (iii) notice of certain enumerated events, if material. The events which will be noticed on an occurrence basis and the other terms of the Disclosure Dissemination Agent Agreement, including termination, amendment and remedies, are set forth in the form of the Disclosure Dissemination Agent Agreement attached as **Appendix F** hereto. The Annual Report and each Quarterly Report will be filed with each nationally-recognized municipal securities information repository, the applicable state repository, if any, and the Bond Trustee. The covenants set forth in the Disclosure Dissemination Agent Agreement have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule").

Failure by Health First to comply with the Disclosure Dissemination Agent Agreement will not constitute an event of default under the Master Indenture or Bond Indenture and Bondholders are limited to the remedies described in the Disclosure Dissemination Agent Agreement. Failure by Health First to comply with the Disclosure Dissemination Agent Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2009B Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Series 2009B Bonds and their market price.

Authorization of and Certification Concerning Official Statement

This Official Statement has been authorized by the Issuer and Health First on behalf of the Obligated Group. Concurrently with the delivery of the Series 2009B Bonds, the Issuer and Health First will each furnish a certificate to the effect that, to the best of its knowledge, this Official Statement did not, as of its date and does not as of the date of delivery of the Series 2009B Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in light of the circumstances in which they were made, not misleading.

Disclosure Required By Florida Blue Sky Regulations

Section 517.051 Florida Statutes and Rule 69W-400.003, Florida Administrative Code, provide for the exemption from registration of certain governmental securities and require that, if an issuer or guarantor of governmental securities has been in default at any time after December 31, 1975 as to principal and interest on any obligation issued or guaranteed by it, its securities may not be offered or sold in Florida except by means of an offering circular containing full and fair disclosure, as prescribed by rules of the Florida Department of Financial Services (the "Department of Financial Services"). Under the rules of the Department of Financial Services, the prescribed disclosure is not required if the information is not an appropriate disclosure in that the information would not be considered material by a reasonable investor.

As described above, the Issuer has the power to issue bonds for the purpose of financing projects for other borrowers, which bonds 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 for the Series 2009B 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 Series 2009B Bonds.

With respect to the Obligated Group, no Member thereof has defaulted in any payment of principal or interest after December 31, 1975.

MISCELLANEOUS

The summaries or descriptions of provisions of the Act, the Series 2009B Bonds, the Series 2009B Obligation, the Bond Indenture and the Master Indenture and all references to other materials not purported to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to the Act, the Series 2009B Bonds, the Series 2009B Obligation, the Bond Indenture and the Master Indenture for a full and complete statement of the provisions thereof. Such documents are on file at the offices of Merrill Lynch & Co., on behalf of itself and Morgan Stanley & Co. Incorporated, in New York, New York, and following delivery of the Series 2009B Bonds will be on file at the offices of the Bond Trustee in Orlando, Florida.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2009B Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Series 2009B Bonds, but neither the failure to print such numbers nor any error in the printing of such numbers shall constitute grounds for a failure or refusal by any purchaser thereof to accept delivery of and pay for any Series 2009B Bonds.

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

BREVARD COUNTY HEALTH FACILITIES AUTHORITY

By: */s/ George Mikitarian*
Vice Chairman

HEALTH FIRST, INC., as Borrower and as the Obligated Group Representative

By: */s/ Robert C. Galloway*
Senior Vice President, Finance

APPENDIX A

DESCRIPTION OF THE OBLIGATED GROUP

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Appendix A

Description of the Obligated Group

Table of Contents

HEALTH FIRST, INC.,
HOLMES REGIONAL MEDICAL CENTER, INC.,
CAPE CANAVERAL HOSPITAL, INC.
AND AFFILIATES

OVERVIEW

Health First, Inc., a Florida not for profit corporation ("Health First"), through its subsidiaries and affiliates, operates a diversified health care system on the east coast of central Florida, and receives patients from Brevard, Martin, Indian River and St. Lucie counties. See "SERVICE AREA AND COMPETITION" in this Appendix A.

The Obligated Group, as created and defined under the Master Trust Indenture dated as of May 15, 2001, as amended and supplemented (the "Master Indenture"), consists of Health First and the following corporations:

- Holmes Regional Medical Center, Inc. ("Holmes Corporation"), which operates Holmes Regional Medical Center, an acute care hospital with 514 licensed and staffed beds, a pharmacy and Palm Bay Hospital, an acute care hospital with 60 licensed and staffed beds, and

- Cape Canaveral Hospital, Inc. ("CCH Corporation"), which operates Cape Canaveral Hospital, an acute care hospital with 150 licensed and staffed beds, and a home health agency.

Each of the Members of the Obligated Group is a Florida not for profit corporation and has received a determination letter from the Internal Revenue Service that it is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), as an organization described in Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509(a) of the Code.

Certain affiliates of Health First which constitute Restricted Affiliates under the Master Indenture consist of the following for profit and not for profit corporations:

- Health First Physicians, Inc. (for profit)
- Health First Health Plans, Inc. (for profit)
- Health First Medical Management, Inc. (for profit)
- Hospice of Health First, Inc. (not for profit)
- Health First Foundation, Inc. (not for profit)
- Cape Health Properties, Inc. (for profit)
- Health First Holding Corp. (for profit)
- Holmes Regional Enterprises, Inc. (for profit)

Under the Master Indenture, the Obligated Group and the Restricted Affiliates collectively form the Combined Group. The Obligated Group Members are jointly and severally liable for the payment of the principal of, redemption premium, if any, and interest on all Obligations issued pursuant to the Master Indenture, all of which are secured by the Revenues of the Obligated Group Members and other moneys pledged under the Master Indenture on a parity basis with all other Obligations outstanding under the Master Indenture. Obligation Nos. 1 through 5, inclusive, Obligation Nos. 8, 10 and 11, and the Series 2009B Obligation are secured, by a mortgage lien on and security interest in a portion of the Holmes Corporation property constituting the main hospital and assignment of all leases, rents and contracts relating thereto in favor of the Master Trustee. In addition, the Obligated Group covenants in the Master Indenture to cause the Restricted Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person (to the extent permitted by law) for the purpose of allowing the Obligated Group to satisfy its debt service requirements applicable to any Obligations issued under the Master Indenture and to satisfy its covenants under the Master Indenture. Certain financial tests provided for in the Master Indenture, including the Rate Covenant and Long-Term Debt Service Coverage Ratios for Additional Indebtedness, are based on financial information for the entire Combined Group. See the section entitled "SECURITY FOR THE SERIES 2009B BONDS—The Master Indenture and the Series 2009B

Obligation" in the forepart of this Official Statement. All of the operations of the Combined Group are included in the consolidated financial statements contained in **Appendix B** herein.

Currently, Viera Hospital is owned by Holmes Corporation and the site therefor is owned by Health First and leased to Holmes Corporation. Health First has created a separate legal entity known as Viera Hospital, Inc. ("Viera Corporation") and upon completion and licensure of Viera Hospital, Health First and Holmes Corporation will transfer their respective ownership interests relating to Viera Hospital to Viera Corporation. In connection with such transfers, Health First has covenanted to add Viera Corporation as an Obligated Group Member under the Master Indenture. See **Appendix D** hereto.

HISTORY AND BACKGROUND

Obligated Group

Health First. Health First was founded in 1995 by Holmes Corporation and CCH Corporation to direct the affairs of a multi-entity healthcare system through a locally-managed and governed organization. Shortly after its creation, Health First Physicians, Inc. ("Health First Physicians") and Health First Health Plans, Inc. ("Health First Health Plans") were added as part of the Health First system. The mission of Health First is to positively change the health and well-being of residents and their family members through excellent and compassionate health care, without regard to financial status of patients. Health First brings together physicians, hospitals, outpatient and wellness services, and insurance products into a seamless, integrated delivery system under a single governance and leadership. Physicians, hospitals, and other providers who join Health First's system are expected to be accountable to the community by continuously measuring clinical performance, delivering high quality, patient-centered health care, and demonstrating value to other members of the system and the communities they serve.

Health First has been named a "Top 100 Integrated Healthcare Network (IHN)" by Verispan© in each of the past five consecutive years. Verispan's report evaluates IHNs on their ability to operate as a unified organization in the areas of integration, integrated technology, contractual capabilities, outpatient utilization, financial stability, services and access, hospital utilization, and physician participation. For the fourth consecutive year, Health First has been named as one of the nation's top 100 "Most Wired" health systems, according to results of the *2008 Most Wired Survey and Benchmarking Study*. Health First was the only Central Florida health system chosen, and one of only three chosen in Florida.

Holmes Corporation. Holmes Corporation operates Holmes Regional Medical Center ("Holmes") and Palm Bay Hospital ("PBH").

Holmes opened in 1937, with 27 beds in Melbourne, Florida, as "Brevard Hospital" and today serves as Health First's flagship hospital. Holmes is the largest hospital in Brevard County with 514 beds. Holmes recently consolidated all of its cardiac services into one location within its new Heart Center, which features all-private rooms, a dedicated acute cardiac management unit for observation and testing of possible heart attack patients, and state-of-the-art cardiac catheterization suites with an adjoining pre- and post-procedure recovery area. The Heart Center also has a roof-top landing site for the First Flight EC-135 aeromedical helicopter, with dedicated access to Holmes' Level II Trauma Center, East Central Florida's only Level II Trauma Center, and the Emergency Department located within The Heart Center at Holmes. The Holmes Regional Trauma Center is the only state-accredited Level II Trauma Center in Brevard and Indian River Counties, offering 24/7 trauma care, 365 days a year. Additionally, Holmes utilizes Health First's remote 24/7 *e*ICU® VitalWatch Intensivist/Critical Care Specialist monitoring of all intensive care unit ("ICU") patients. Holmes recently implemented an automated Laboratory Services (SoftLab®) system for faster, more efficient, user-friendly access to lab tests for physicians and caretakers, which moves Holmes and all Health First hospitals a step closer to fully electronic patient medical records.

Additional services provided at Holmes include:

- The Birth Suites Mother/Baby Unit and a Level II Neonatal ICU
- Stroke Unit and Stroke Program that is accredited as a Primary Stroke Center by the Joint Commission. Nationally-accredited Comprehensive Community Hospital Cancer Program (accredited by the American College of Surgeons' Commission on Cancer) that partners with the American Cancer Society in sponsoring free community cancer screenings, events, smoking cessation classes, and informational programs and services
- Women's & children's services
- Orthopedics
- Extensive diagnostic and laboratory services, including the latest, most rapid and highest resolution CT scanning equipment, as well as on-site MRI and PET scanning equipment
- A specialized wound management & hyperbaric center

See "HEALTH CARE FACILITIES AND OPERATIONS" in this Appendix A for more information regarding Holmes.

PBH opened in Palm Bay, Florida, in July 1992, as Palm Bay Community Hospital. PBH is a full-service, acute care hospital with 60 licensed and staffed beds, offering a broad spectrum of healthcare services, including but not limited to diagnostic cardiopulmonary services, inpatient and outpatient surgery, critical care, rehabilitative services, emergency care and Sleep Medicine. PBH features an emergency department with seven private treatment rooms, two trauma care beds, an eight-bed Intensive Care Unit, eight telemetry beds for cardiac monitoring, and four operating suites. PBH also utilizes Health First's remote 24/7 *e*ICU® VitalWatch Intensivist/Critical Care Specialist monitoring of all ICU patients. PBH is undergoing a 127,000-square foot expansion that will double the hospital's size and increase capacity from 60 to 152 beds, which is expected to be completed by June 2009. The expansion will include: 80 additional all-private inpatient beds, an expanded emergency department with 10 new observation beds, two new special procedures rooms for expanded gastrointestinal laboratory capability, an additional 12-bed ICU, and a new cafeteria. See "HEALTH CARE FACILITIES AND OPERATIONS" in this Appendix A for more information regarding PBH.

CCH Corporation. CCH Corporation operates Cape Canaveral Hospital ("CCH"). CCH opened in Cocoa Beach, Florida, in 1962 with 44 beds, and has grown to 150 licensed and staffed acute care beds, including a 26-bed, Level II Emergency Department containing two trauma rooms. CCH, together with Holmes and PBH, utilizes Health First's remote 24/7 *e*ICU® VitalWatch Intensivist/Critical Care Specialist monitoring of all ICU patients. The Women's Care Unit features family-centered maternity care and specialty services, and CCH is one of only 50 hospitals in the United States to earn the prestigious "Baby-Friendly Hospital™" designation from the World Health Organization and UNICEF. Health First Home Care, a division of CCH Corporation, offers patients a wide range of professional health services in the comfort and familiar environment of a patient's home. Physician offices, diagnostic services and a community resource center are located in the adjoining Medical Plaza. See "HEALTH CARE FACILITIES AND OPERATIONS" in this Appendix A for more information regarding CCH.

CCH leases the Cape Canaveral Hospital site and facilities from The Cape Canaveral Hospital District (the "District"), a public body corporate and politic and special tax district of the State of Florida. The site and facilities are leased pursuant to an Amended and Restated Lease dated as of August 18, 1999, as amended and supplemented (the "Lease"), between CCH and the District. The Lease will remain in effect so long as the Series 2009B Bonds remain outstanding.

Viera Health Park. Health First is currently developing an integrated health park in central Brevard County to serve the growing population in that area. Viera Health Park will consist of Viera Hospital, a rehabilitation center, fitness center and physician office building. The Pro-Health and Fitness Center, an approximately 68,000 square foot, two-story fitness center with an adjoining 3,400 square-foot outpatient rehabilitation center which provides physical and speech therapy, opened to the public in September 2008. It

is currently anticipated that a medical office building containing 65,000 square feet will open at Viera Health Park in February 2010.

Viera Hospital will be a new hospital facility with 84 private inpatient rooms and 16 observation beds, with future expansion capabilities under the current certificate of need for a total of 350 beds, full medical and surgery capabilities, a 24-hour emergency department, and outpatient diagnostic and treatment services, including a state-of-the-art cardiac catheterization lab, a portion of which will be financed with proceeds of the Series 2009B Bonds. Viera Hospital will also open as a digital hospital where all patient information will be collected and stored electronically. The state Agency for Health Care Administration approved a certificate of need for Viera Hospital in April 2007. Such expansion of the Health First family of healthcare facilities is targeted to reach the need of the rapidly expanding population in Brevard County. It is currently anticipated that Viera Hospital will open in 2011. For more information regarding Viera Hospital and its location, see "THE PROJECT" herein. For statistical information relating to Brevard County, which will be Viera Hospital's primary service area, see "SERVICE AREA AND COMPETITION" herein.

Restricted Affiliates

Health First Health Plans, Inc. Health First Health Plans, Inc. ("Health First Health Plans") is the community's only locally-based health maintenance organization and serves over 52,000 members (not including members it serves as a third-party administrator). Health First Health Plans' commercial product offers comprehensive health coverage to large and small employers alike, providing coverage to Fortune 100 companies as well as local small business owners. Health First Health Plans has contracted with the Center for Medicare & Medicaid Services to provide a Medicare Advantage Prescription Drug Plan to eligible Medicare beneficiaries in the community. Health First Health Plans received an accreditation status of Excellent from the National Committee for Quality Assurance (NCQA) in 2006. In 2008, Health First Health Plans was ranked as one of the top 25 health plans in the United States by *U.S. News & World Report* and its call center was recognized by J.D. Power and Associates for providing "An Outstanding Customer Service Experience."

Health First Physicians, Inc. and Health First Medical Management, Inc. Health First Physicians, Inc. ("Health First Physicians") is comprised of physicians who offer care in various specialties, including but not limited to primary care, OB/GYN and internal medicine in neighborhood-based clinics throughout central and south Brevard County. In addition to being participating providers for Health First Health Plans, many of these physicians are participating providers with other managed care plans. Health First Medical Management, Inc. operates Health First Physicians' Management Services Organization ("MSO"). The MSO provides comprehensive services including billing, collections, managed care credentialing, information, technology, and many other aspects of practice support.

Hospice of Health First, Inc. Hospice of Health First, Inc. provides care for terminally ill individuals, enabling patients to remain at home during much or all of their terminal illness, relatively free from pain, surrounded by family, friends, and living life as fully as possible. In fall 2004, Hospice of Health First opened the William Childs Hospice House, a freestanding, eight-bed home environment which has since grown to 16 beds.

Health First Foundation, Inc. Health First Foundation is a philanthropic organization established in 2001 provides fundraising support to improve patient care at the Obligated Group's health care facilities.

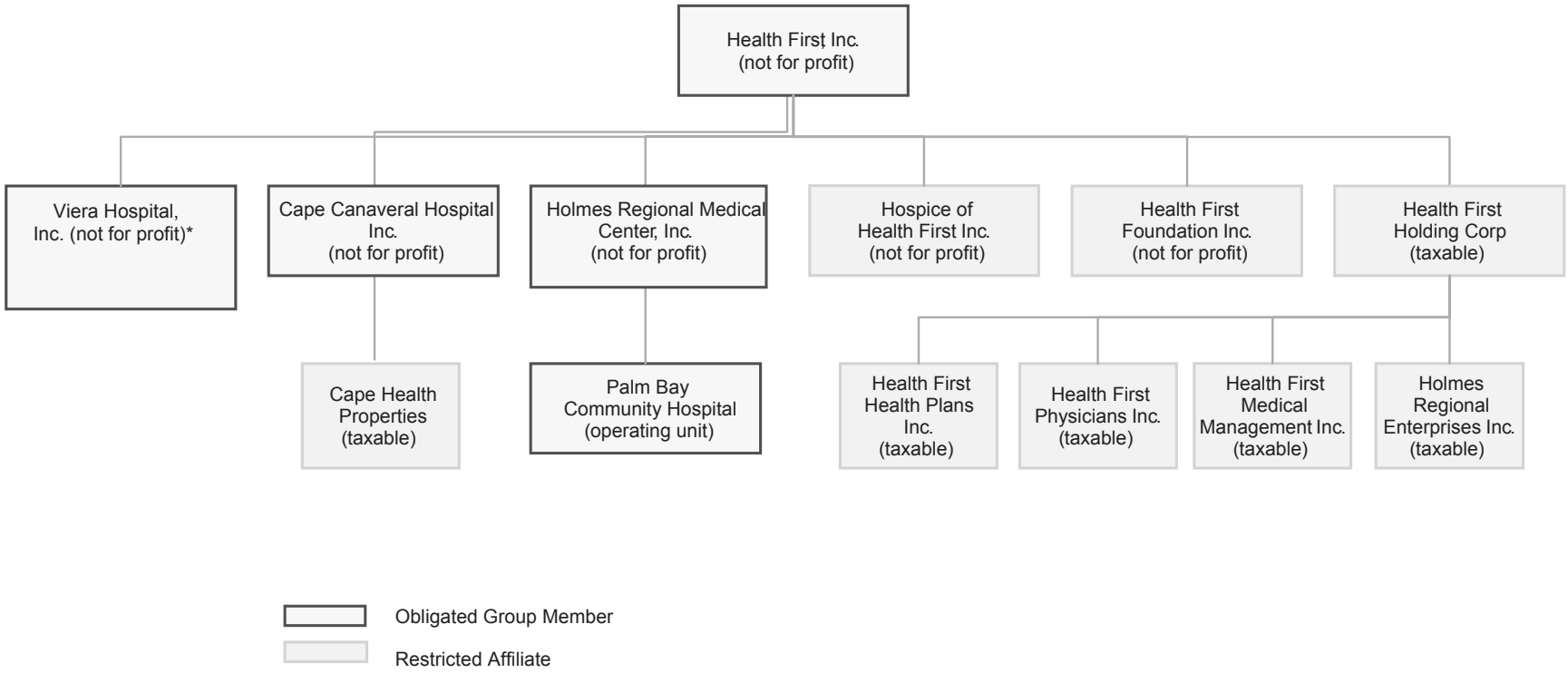
Cape Health Properties, Inc. is a subsidiary of CCH Corporation which manages medical office space in Merritt Island and Cocoa Beach.

Health First Holding Corp. Health First Holding Corp. was created in 1998 to consolidate certain taxable entities and to manage health care related and/or other businesses and professional services.

Holmes Regional Enterprises, Inc. Holmes Regional Enterprises, Inc. manages rental properties in Melbourne, as well as a durable medical equipment company doing business as Health First Durable Medical Equipment.

ORGANIZATIONAL CHART

The following chart sets forth the organizational structure of the Combined Group as of the date hereof:



*Viera Hospital, Inc. is not an Obligated Group Member as of the date hereof. Health First has covenanted to add Viera Hospital, Inc. as an Obligated Group Member upon completion and licensure of Viera Hospital. The application for Viera Hospital, Inc. to obtain status as an organization described in Section 501(c)(3) of the Code has been filed and is pending review and approval of the IRS. For more information, see "OVERVIEW" herein.

GOVERNANCE AND MANAGEMENT

Board of Directors of the Obligated Group

Health First. Health First is governed by a Board of Directors (the "Board") currently composed of 20 members, two of whom are *ex-officio*. Members of the Board serve three-year terms. Health First's bylaws provide that the Chairperson of Holmes and CCH shall be *ex-officio* members of the Board, unless otherwise elected, and that the President/Chief Executive Officer and Executive Vice President/Chief Operating Officer of Health First shall be *ex-officio* members of the Board. Each of these *ex-officio* members votes as a Director. The members of the Board are:

Name	Term Expires December 31,	Occupation
William T. Brennan, Chairman	2009	Banker
Brian J. Bussen[(2)]	2009	Consultant
James E. Carter, MD[(1)]	2010	Physician
Eugene S. Cavallucci, Esq.[(2)]	2010	Attorney
Russell E. Fischer, Vice Chairman	2009	Semi-retired Businessman
Catherine Ford [(2)]	2010	Educator
Larry F. Garrison	*Ex-officio*	Executive Vice President/COO of Health First
Pamela A. Gatto[(2)]	2010	Businesswoman
Judith A. George[(1)]	2009	Retired RN
Allen S. Henry, PhD, Secretary	2009	Retired Engineer
Tony Hernandez III, Esq.[(1)]	2010	Attorney
A. Thomas Hollingsworth, PhD[(1)]	2009	Educator
George W. Lewis[(1)]	2009	Realtor
Michael D. Means	*Ex-officio*	President/CEO of Health First
Nicholas E. Pellegrino[(1)]	2009	Consultant
William C. Potter, Esq. [(2)]	2010	Attorney
Kevin S. Pruett	2010	Engineer
James C. Shaw,[(2)] Treasurer	2009	Engineer
Jeffrey C. Stalnaker, MD[(1)]	2009	Physician
Kevin B. Steele[(1)]	2010	Business Owner

(1) Also serves as a member of the CCH Board of Directors. Nicholas E. Pellegrino serves as Chairman of the CCH Board of Directors.

(2) Also serves as a member of the Holmes Board of Directors. James C. Shaw serves as Chairman of the Holmes Board of Directors.

The Board acts by and through several committees, including the Executive Committee (which acts on behalf of Health First between Board meetings), the Finance Committee (which is responsible for the general supervision and control of financial affairs), the Audit Committee (which is responsible for oversight of the independent audit of the Combined Group) and the Quality Council (which implements a systematic approach to quality control and performance improvements).

Holmes and CCH. Holmes and CCH are governed by Boards of Directors separate from the Board and from each other, although several members of the Board of Directors of Holmes and CCH

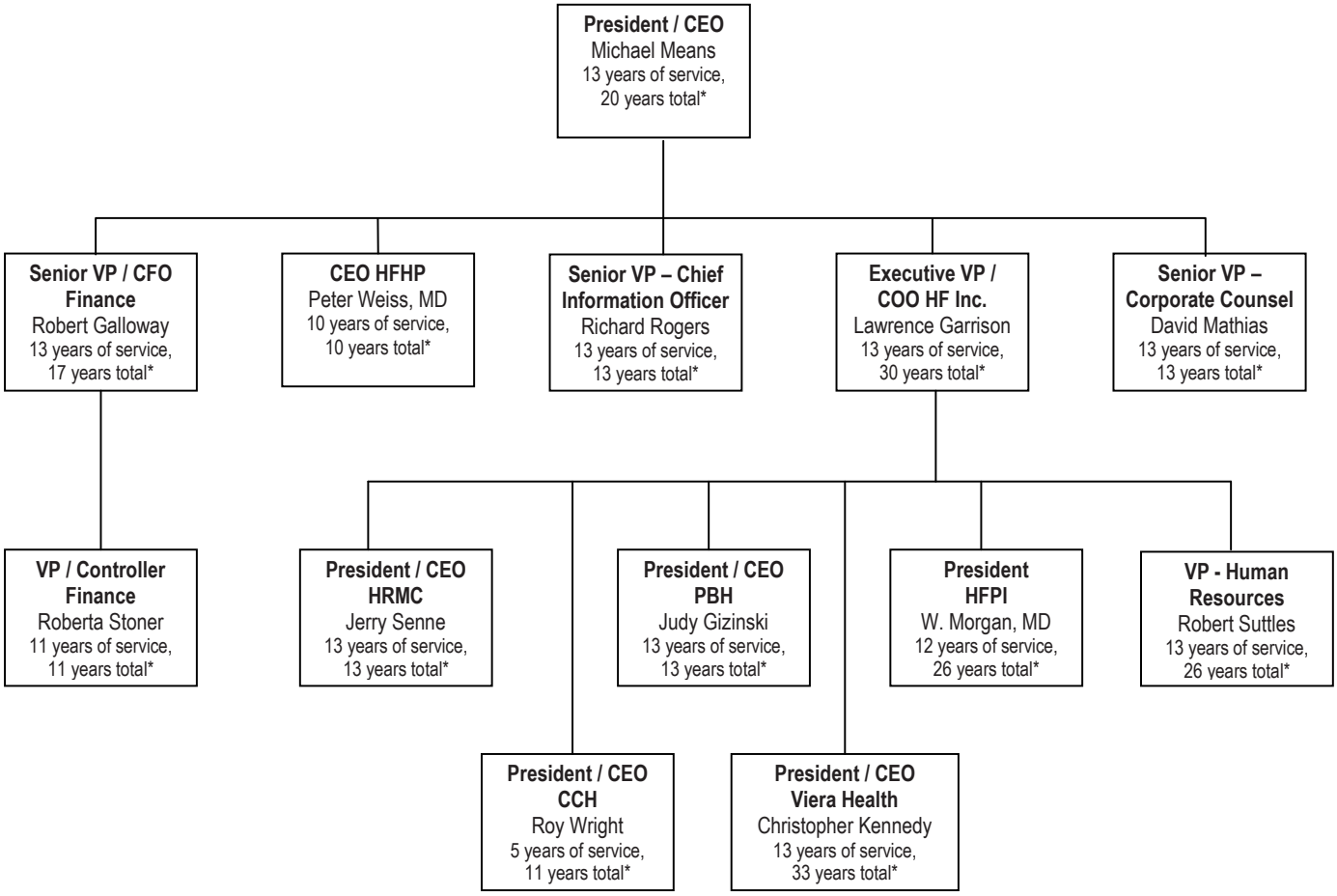
serve on the Board. The Holmes and CCH Boards of Directors each have the power to transact all regular business of their respective corporations, subject to certain reserved powers held by Health First, as described below. Holmes' Board of Directors currently consists of 12 members, two of whom are physicians and three of whom sit on the Board of Health First. CCH's Board of Directors currently consists of 10 members, three of whom are physicians and eight of whom sit on the Board of Health First.

Reserved Powers

Health First appoints the members of the Boards of Directors of Holmes and CCH. In addition, Health First must approve, among other things, the following actions by Holmes and CCH: incurrence of debt; the approval of leases, disposals and acquisitions of real estate valued at more than $1 million; adoption of annual operating and capital expenditure budgets and material deviations from the budgets; managed care agreements; changes to articles of incorporation and bylaws; and changes to significant policies and procedures.

Executive Management of the Obligated Group

The following chart and biographical information describe the executive management of Health First since its formation in 1995 with total years of service at one of the Health First health care system facilities.



* See biographies on following pages.

Michael D. Means, 59, President and Chief Executive Officer and member of the Board of Directors for Health First. Mr. Means has an extensive background in health care administration in central Florida. Mr. Means served as President and Chief Executive Officer of Holmes Regional Medical Center from September 1988 through July 1995. Prior to joining Holmes Regional Medical he served from 1980 until 1988 as Executive Vice President and Chief Operating Officer at Orlando Regional Medical Center, a 1,119-bed, four-hospital system; as well as the not-for-profit holding company comprised of four subsidiary corporations. Mr. Means holds a Bachelor of Science Degree in Business Administration and a Master of Business Administration and Hospital Administration from the University of Florida. In 1988 Mr. Means received the Emerging Leaders in Healthcare Award presented by *Healthcare Forum* and Korn/Ferry International, San Francisco. This award recognizes individuals who have excelled in their past and present management positions, displaying leadership abilities through accomplishment. In 1994, Mr. Means was selected as "Alumnus of the Year" from the School of Health Related Professions at the University of Florida, Gainesville, Florida.

Mr. Means is active in professional and civic organizations on the local, state, and national level. He is a Fellow of the American College of Healthcare Executives (FACHE); is a past member of the Board of Directors for Voluntary Hospitals of America - Southeast; the University of Central Florida's Health Services Administration Programs Community Board; the Board of Overseers at Florida Institute of Technology's School of Business, Melbourne, Florida; and United Way of Brevard County. He received the Citizen of the Year Award from the Space Coast March of Dimes in 1998. Mr. Means served as Vice Chairman of the Astronauts Memorial Foundation, in Cape Canaveral, Florida. He served as chairman of the Melbourne/Palm Bay Area Chamber of Commerce in 1992 and as chairman of the Florida Hospital Association in 1993 and continues to be active in these organizations. Mr. Means was selected by Florida Today as the Volunteer of the Year in 2005.

Lawrence F. Garrison, 59, Executive Vice President and Chief Operating Officer of Health First. Before the formation of Health First, Mr. Garrison was President and CEO of Cape Canaveral Hospital from 1979 until 1995. Prior to joining CCH, Mr. Garrison served as Vice President at Tallahassee Memorial Medical Center (1977-1979). Mr. Garrison received his Bachelor of Science degree in Business Administration with majors in Finance and Accounting from the University of Georgia. Mr. Garrison also holds a Master of Business Administration in Hospital Administration from the University of Florida. Mr. Garrison served as Chairman of both the Florida Hospital Association and the Association of Community Hospitals and Health Systems. Mr. Garrison currently serves as Chairman of the Brevard County Health Facilities Authority and as a Trustee for the University of Florida College of Healthcare Professions Advisory Board. Mr. Garrison is a Board member of the Brevard Community College Foundation, and serves on the Board of Overseers at the Florida Institute of Technology School of Business, and serves on the Board of Directors for SunTrust Bank. Mr. Garrison is past Chairman of the Cocoa Beach Area Chamber of Commerce.

Robert C. Galloway, 59, Senior Vice President, Chief Financial Officer of Health First. Mr. Galloway is responsible for all financial reporting and systems. He is also responsible for managing the treasury functions for the organization and all matters pertaining to cash management. Before the formation of Health First, Mr. Galloway was Senior Vice President of Finance at Holmes. He has a Bachelor of Science degree in Business Administration from Western Michigan University.

Jerry Senne, 51, President and Chief Executive Officer of Holmes Regional Medical Center. Mr. Senne was the founding CEO of Health First Health Plans (1995-2007). Prior to joining Health First, Mr. Senne served as Vice President of Strategic Research at VHA, Inc. In this position, he directed research and development activities for the nationwide VHA system (1998-1995). Mr. Senne served as Vice President at Orlando Regional Medical Center (1981-1988). Mr. Senne received a Bachelor of Science degree in Business Administration from the University of Florida, where he also earned a Master of Business Administration in Hospital Administration.

Richard J. Rogers, 50, Senior Vice President, Support Services and Chief Information Officer of Health First. Mr. Rogers is responsible for all information and telecommunications systems and staff. He is also responsible for managing the medical records, clinical engineering, facilities, plant operations, environmental services, security and strategic planning functions for the organization. He has a Bachelor of Science degree in Business Administration from Oswego State University and a Master of Business Administration from Pace University.

Robert W. Suttles, 58, Vice President, Human Resources of Health First. In this position, Mr. Suttles has overall responsibility for training, management development, staff employment, recruitment and benefits/compensation. Before the formation of Health First, Mr. Suttles was the Vice President of Human Resources at Holmes. Mr. Suttles has a Bachelor of Science degree in Industrial Relations from the University of North Carolina. He also has a Master of Business Administration in Human Resource Management from Florida Institute of Technology.

David E. Mathias, 58, Vice President and Corporate Counsel of Health First. Since 1996, Mr. Mathias is responsible for all legal matters involving the corporation and its controlled affiliates, including transactional matters, litigation, and risk management. He began his health law career at Shands Hospital at the University of Florida as Hospital Attorney in 1980, was promoted to Director of Legal Services in 1984, and thereafter held the position of Vice President and Corporate Counsel from 1987 to 1995. Mr. Mathias is a Florida Bar Certified Specialist in Health Law, and holds Juris Doctor and Bachelor of Science degrees from the University of Florida.

William R. Ellis, 72, Vice President, Government/Industry Relations of Health First. Since 1998, Mr. Ellis has served as the liaison between the Obligated Group and the various governments and industries with which the Obligated Group interacts. Before coming to Health First, Mr. Ellis was Director of Public Affairs for the Canaveral Port Authority. His prior experience includes being an Area and District General Manager for Florida Power and Light Company and a Federal and State Regulatory Representative. Mr. Ellis is a past Chairman of the Cocoa Beach Chamber of Commerce and Brevard County Tourist Development Council and has also served on the Economic Development Council of East Central Florida.

Christopher S. Kennedy CHE 52, President of Viera Health Park. Mr. Kennedy is responsible for the planning, development, construction, operational activation, and ongoing leadership of Viera Health Park, including Viera Hospital.. Mr. Kennedy has served in this current position since 2007. Prior to this appointment, he served as President and Chief Executive Officer of Holmes. Before joining Holmes, Mr. Kennedy served as President and Chief Executive Officer and Chief Operating Officer of CCH for over 10 yrs. He received an Associates degree from Brevard Community College, a Bachelor of Science from the University of Central Florida and a Master of Business Administration from Florida Institute of Technology. In 1992, Mr. Kennedy received "Presidents Alumni Award" from Brevard Community College, and in 1994 the "Professional Achievement Award" from the University of Central Florida. Mr. Kennedy is a Diplomat in the American College of Healthcare Executives, and acknowledged and certified by the Courts of the State of Florida as an expert in Hospital Administration. He has served, and is currently serving various state and community civic and religious organizations.

Judith Gizinski, 51, President and CEO of Palm Bay Hospital. Since February 2008, Ms. Gizinski has been responsible for the administrative oversight of the operations of Palm Bay Hospital. She has been with Heath First and Cape Canaveral Hospital for 17 years. Before joining Palm Bay Hospital, Ms. Gizinski served as Health First Vice President of Information Technology. She received a Bachelor of Science in Medical Record Administration and a Master of Public Health from the University of Central Florida. She is a member of the Brevard Workforce Development Board and the University of Central Florida Health Information Management Advisory Board.

R. Roy Wright, 52, President of Cape Canaveral Hospital. Mr. Wright has served in this position since 2003. His responsibilities include not only the oversight of the operations of CCH, but he also serves as a corporate Vice President responsible for most non-acute care services (hospice, home

care, durable medical equipment, private duty nursing, medical staffing, geriatrics, and fitness centers), as well as pharmacy services system-wide. Before assuming his role at CCH, Mr. Wright served as Vice President/Strategic Planning & Business Development for Health First. Prior to joining Health First in 2001, he served as the President of TrueSound, Inc., Nashville, Tennessee, a hearing health management company. Previously he was President and Chief Operating Officer of St. Cloud Medical Corporation, Nashville, Tennessee, a physician practice management company. Prior to joining St. Cloud, Mr. Wright was the President and Chief Executive Officer of Middle Tennessee Healthcare Network, Nashville, TN, an alliance of 13 non-profit hospital systems. Mr. Wright has also served in various roles with Orlando Regional Healthcare System, Orlando, Florida, Boca Raton Community Hospital, Boca Raton, Florida, and Morton Plant Hospital, Clearwater, Florida. Mr. Wright is a graduate of the University of Florida with a Masters degree in Business Administration (with Certification in Health and Hospital Administration) and a Bachelor's degree in Pharmacy. He is a Fellow in the American College of Healthcare Executives. Mr. Wright serves on the Board of Directors of the United Way of Brevard and the Board of Directors of the Cocoa Beach Area Chamber of Commerce.

Conflicts of Interest Policy

The Board has adopted a conflict of interest policy for the officers and directors of the Members of the Obligated Group and the officers and directors of affiliates of the Obligated Group. The policy requires periodic reporting to the Board of potential conflicts of interest. Certain directors of the Boards have business relationships with Health First and its affiliates, which the Boards review annually to ensure that such directors are conducting themselves in accordance with the conflict of interest policy.

HEALTH CARE FACILITIES AND OPERATIONS

Description of Facilities

Holmes. Holmes Regional Medical Center, with 514 licensed and staffed acute care beds, is the Health First flagship hospital with a campus located on 51 acres in downtown Melbourne, Florida. The campus includes the main hospital, the Heart Center, Level II Trauma Center/Emergency Department, eight ancillary buildings, a comprehensive hospital-based fitness facility, and a four-story parking garage.

CCH. Cape Canaveral Hospital is located in Cocoa Beach, Florida and situated on 12.2 acres on a peninsula on the Banana River. The campus is comprised of the 259,000 square foot hospital with 150 licensed and staffed acute care beds, an eight-story parking garage, a six-story 65,000 square foot medical plaza and a wound management facility. CCH Corporation also owns forty acres of submerged, undevelopable land adjacent to the campus.

PBH. Palm Bay Hospital is the smallest of the three Health First hospitals with 60 licensed and staffed acute care beds and is located on 48 acres in the City of Palm Bay, Florida. The campus contains a 74,000 square foot hospital, a 41,000 square foot medical office building and the Health First William Childs' Hospice House. After completion of the projects financed with the proceeds of the Series 2009A Bonds and the Series 2009B Bonds, which are expected to be completed no later than July 1, 2009, the hospital will encompass roughly 127,000 square feet and be the second largest hospital by number of beds (152) in the Health First system.

General Services

Each of the acute care Hospitals operated by members of the Obligated Group, namely Holmes, CCH and PBH (collectively, the "Hospitals") provide a full array of healthcare services to patients of all ages—from newborns and young children to adolescents, to adults, and the elderly. Services offered at each of the three Hospitals include the following:

Holmes	CCH	PBH
Aerospace Medicine	Anesthesiology	Allergy and Immunology
Allergy and Immunology	Cardiology	Anesthesiology
Anesthesiology	Dermatology	Cardiology
Cardiology	Dentistry	Dentistry
Cardiothoracic Surgery	*e*ICU®	Dermatology
Dentistry	Emergency Medicine	eICU®
Dermatology	Endocrinology	Emergency Medicine
*e*ICU®	Family Practice	Endocrinology
Emergency Medicine	Gastroenterology	Family Practice
Endocrinology	General Surgery	Gastroenterology
Family Practice	Geriatric Medicine	General Surgery
Gastroenterology	Infectious Disease	Gynecology
General Surgery	Internal Medicine	Infectious Disease
Geriatric Medicine	Lithotripsy	Internal Medicine
Hyperbarics	Neonatology	Nephrology
Infectious Disease	Nephrology	Neurology
Internal Medicine	Neurology	Nuclear Medicine
Lithotripsy	Neurosurgery	Oral and Maxillo-Facial Surgery
Neonatology	Nuclear Medicine	Oncology/Hematology
Nephrology	OB/GYN	Ophthalmology
Neurosurgery	Oral and Maxillo-Facial Surgery	Orthopedics
Neurology	Oncology/Hematology	Otolaryngology
Nuclear Medicine	Ophthalmology	Pain Management
OB/GYN	Orthopedics	Pathology
Occupational Medicine	Otolaryngology	Pediatrics
Oral and Maxillo-Facial Surgery	Pain Management	Pediatric Pulmonary
Oncology/Hematology	Pathology	Physical Medicine/Rehab
Ophthalmology	Pediatrics	Physical Therapy
Orthopedics	Physical Medicine/Rehab	Plastic Surgery
Otolaryngology	Physical Therapy	Podiatry
Pain Management	Plastic Surgery	Psychiatry
Pathology	Podiatry	Pulmonology
Pediatrics	Psychiatry	Radiology
Pediatric Cardiology	Pulmonology	Sleep Medicine
Pediatric Endocrinology	Radiology	Rheumatology
Pediatric Pulmonology	Rheumatology	Urology
Perinatology	Sleep Medicine	Vascular Surgery
Physical Medicine/Rehab	Urology	Wound/Ostomy Care
Physical Therapy	Vascular Surgery	
Plastic Surgery	Wound/Ostomy Care	
Podiatry		
Psychiatry and Psychology		
Pulmonology		
Radiology		
Rheumatology		
Trauma Services		
Urology		
Vascular Surgery		
Wound/Ostomy Care		

Source: Health First.

Electronic Intensive Care Unit

Launched in September 2004, Health First VitalWatch ("VitalWatch") is an "*e*ICU®" (electronic intensive care unit) program that combines telemedicine, software, and 24/7 electronic monitoring technology in the various ICUs at Holmes, CCH and PBH, providing critical care physicians and nurses the ability to monitor real-time vital signs, laboratory results and complete electronic medical records of ICU patients from a remote location. If necessary, the VitalWatch staff can also direct a patient's care on the spot via live audio and video connections to the patient's room. All information is transmitted over private data lines to ensure privacy and security. The eICU® system allows a small core group of intensivists and critical care nurses to monitor a large number of patients at all three hospitals. The VitalWatch staff can also contact nurses and physicians at a particular hospital if they detect something that may signal a potential problem. Physicians can choose the level of support they would like the VitalWatch staff to provide, from monitoring only, to full authorization to handle any issues that may arise. The system installed at Holmes, CCH and PBH was the first eICU® program in the southeastern United States, and only the eighth operating system in the United States. VISICU, Inc., the company that created the eICU® program, won the 2001 Healthcare Informatics and Technology Award, and in 2002 the eICU® was recognized as one of the Top 100 technical innovations by InfoWorld magazine.

Medical Staff

As of September 30, 2008, the Hospitals had a combined medical staff of approximately 848 active physicians,* 109 of whom are employed by Health First. Each Hospital maintains its own medical staff organization responsible for privilege delineation. Approximately 89% of these physicians are Board-certified.

The following tables show the number and average age of physicians and the number and percentage of discharges by specialty for the year ended September 30, 2008 at each of the Hospitals:

Active Medical Staff Members at Holmes†
(As of September 30, 2008)

SPECIALTY	Number of Physicians	Average Age	Number of Discharges	Percentage of Discharges
Internal Medicine	87	43	10,408	35.56%
Obstetrics and Gynecology	26	49	3,333	11.39
Family Practice	52	48	2,844	9.72
Pediatrics	27	47	2,094	7.15
Surgery, Orthopedic	23	47	1,888	6.45
Cardiology	27	50	1,836	6.27
General Surgery	21	47	1,479	5.05
Neonatology	2	51	1,259	4.30
Hematology/Oncology	14	46	741	2.53
Pediatric-Neonatology	1	39	604	2.06
Cardiothoracic/Vascular	5	53	567	1.94
Physical Medicine & Rehab	9	46	348	1.19
Surgery, Vascular	3	46	317	1.08
Surgery, Neurological	3	51	311	1.06
Nephrology	8	44	303	1.04
Gynecologic Oncology	1	44	206	0.70
Urology	9	52	178	0.61
Neurology	14	50	103	0.35
Specialties with less than 100 discharges	262	48	448	1.53
TOTAL	594	47	29,267	100.00%

* This total does not include overlap of physicians serving at both Holmes and PBH. The number of physicians serving at Holmes and PBH listed in the tables on A-13 A-14, respectively, include overlap in such cases.
† Source: Health First.

Active Medical Staff Members at CCH
(As of September 30, 2008)

Specialty	Number of Physicians	Average Age	Number of Discharges	Percentage of Discharges
Internal Medicine	31	46	3,236	46.48%
Obstetrics and Gynecology	7	43	827	11.88
Family Practice	24	50	679	9.75
Surgery, Orthopedic	14	50	472	6.78
Pediatrics	19	50	468	6.72
Neonatology	3	53	298	4.28
General Surgery	9	56	271	3.89
Emergency Medicine	12	46	118	1.69
Hematology/Oncology	10	50	105	1.51
Specialties with less than 100 discharges	154	50	488	7.01
TOTAL	283	49	6,962	100.00%

Source: Health First.

Active Medical Staff Members at PBH
(As of September 30, 2008)

Specialty	Number of Physicians	Average Age	Number of Discharges	Percentage of Discharges
Internal Medicine	39	42	2,578	67.97%
Family Practice	20	44	651	17.16
Surgery, Orthopedic	9	50	244	6.43
General Surgery	9	49	218	5.75
Specialties with less than 100 discharges	222	47	102	2.69
TOTAL	299	46	3,793	100.00%

Source: Health First.

Employees

The Members of the Combined Group have no unions with which they negotiate and have not experienced any strikes or other labor disruptions in the past. Members of the Combined Group each conduct a complete employee survey every year. The survey evaluates sixteen criteria in the workplace, including job satisfaction, supervision, job security, salary, benefits, peer work relationships and job demands. Based on the most recent survey, each of the Members of the Combined Group considers its relations with its employees to be good to excellent.

The following table summarizes the staffing levels for the Members of the Combined Group as of September 30, 2008:

	Total FTEs[1]
Health First, Inc. – Corporate[2]	718
Hospital Facilities[3]	4,065
Health First Health Plans	154
Health First Physicians & MSO	260
Total	5,197

(1) Full Time Equivalents (FTEs) is a standard industry measurement of staffing levels. A total of 2,080 hours equals one FTE for one year.
(2) Includes Health First Corp., Health First Foundation and Joint Venture Operations.
(3) Includes Holmes Regional Medical Center, Cape Canaveral Hospital, PBH, Pro-Health, Pharmacy, Private Duty Nursing, Health First Home Care, Hospice of Health First and Holmes Regional Enterprises.

Professional Liability Claims and Insurance

Health First has a self-insured retention of $10,000,000 per claim with no aggregate limit per policy year for general and professional liability insurance for the health care facilities in its system. Both general and professional liability claims are covered by a $20,000,000 excess policy with Health Care Casualty Insurance Limited. Health First also maintains a fully funded actuarial trust fund to cover the self-insured retention. See Note 9 to the audited financial statements of Health First included in **Appendix B** hereto.

Accreditation and Memberships

Each Member of the Obligated Group is accredited by The Joint Commission and each has accreditations for certain specialized programs and services consistent with its mission and operations. From time to time, accrediting bodies may review such accreditations of accredited organizations and recommend certain actions or impose conditions on an existing accreditation. The Obligated Group Members do not expect any such review to require actions or impose conditions that could not be satisfied or to adversely affect the continuing accreditation of any Member of the Obligated Group.

THE PROJECT

The proceeds of the Series 2009B Bonds, which will be loaned to Health First, as representative of the Obligated Group, will be used to (1) pay or reimburse part of the cost of acquisition, construction and equipping of certain capital improvements to the health facilities of the Obligated Group, as further described below (the "Project"), (2) fund a debt service reserve fund and (3) pay certain costs with respect to the issuance of the Series 2009B Bonds. The remaining costs of the Project will be financed as described in "PLAN OF FINANCING" in the forepart of the Official Statement.

The Project consists of the construction and equipping of a new acute-care hospital, Viera Hospital, and ancillary facilities, including site preparation and design, and related engineering, and acquisition of new medical equipment to be used at the health facilities of Health First and its affiliates. Viera Hospital will be located at 8731 North Wickham Road, Melbourne, Florida, and will include 84 private inpatient rooms and 16 observation beds, with future expansion capabilities under the current certificate of need for a total of 350 beds, full medical and surgery capabilities, a 24-hour emergency department, and outpatient diagnostic and treatment services, including a state-of-the-art cardiac catheterization lab. See "HISTORY AND BACKGROUND – Obligated Group – Viera Health Park" for more information regarding Viera Health Park in which Viera Hospital is located.

Artist's Rendering of Viera Hospital upon Completion

SERVICE AREA AND COMPETITION

Primary and Secondary Service Areas

The Obligated Group's primary service area extends north to Cocoa and Cocoa Beach and south to the Brevard County line, which is demarcated by the Sebastian Inlet/River. In the east, it extends to the Atlantic Ocean and in the west to the Orange County/Osceola County line. The northern secondary service area extends from north of Cocoa to the northern Brevard County line; and the southern secondary service area covers Indian River County, St. Lucie County and Martin County from Roseland south to Stuart.

The map on the following page shows the primary and secondary service areas for the Obligated Group, the location of each Hospital operated by the Obligated Group and the location of the hospital facilities operated by competitors of the Obligated Group.

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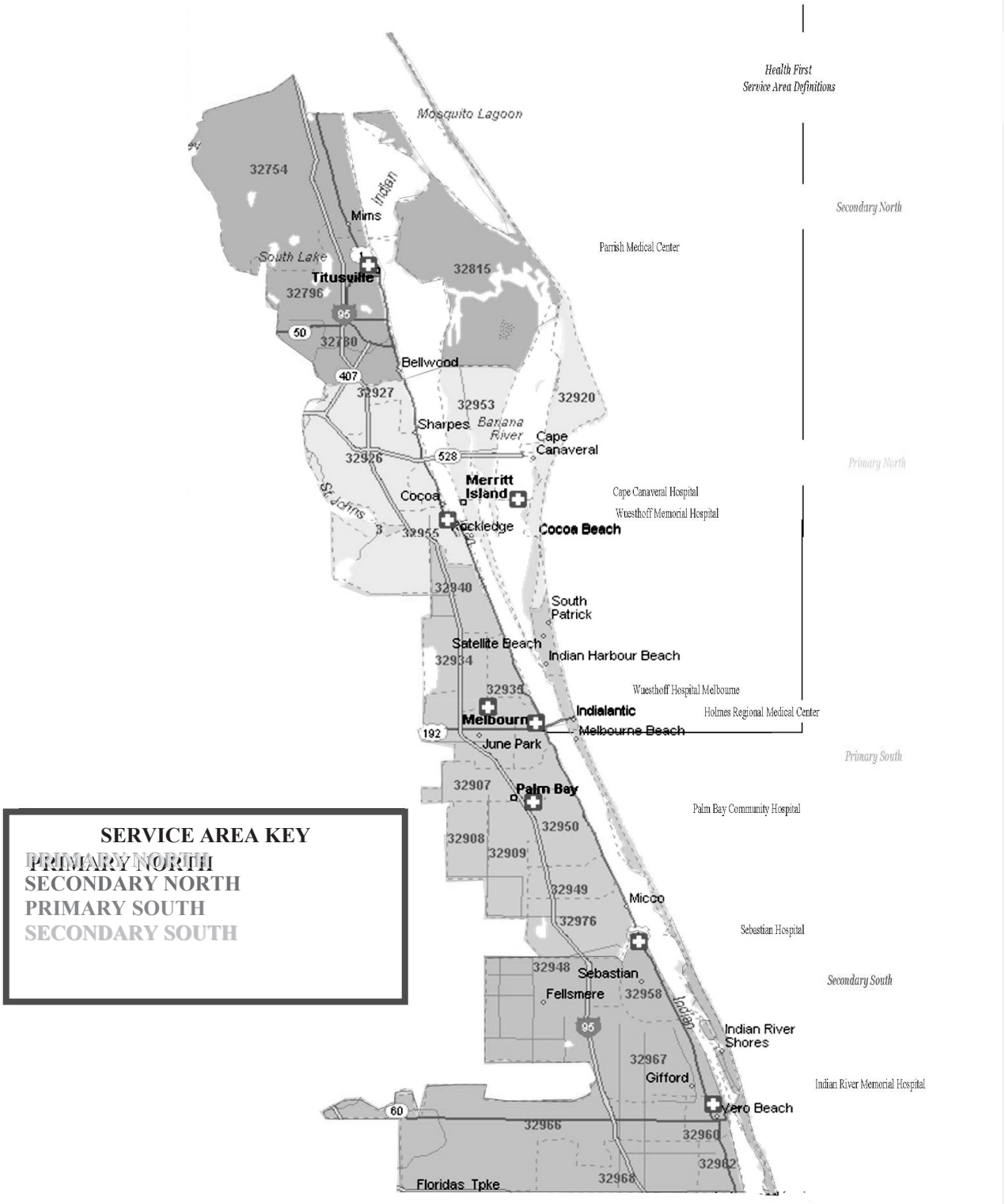
Service Area Map



Population for counties comprising the Obligated Group's service areas has steadily increased over the past several years and projections indicate that such increases will continue to 2010 and beyond.

Population for Primary and Secondary Service Areas by County

	Brevard County [1]	Indian River County [2]	Martin County [2]	St. Lucie County [2]
Population				
2000	476,230	112,947	126,731	192,695
2007	552,109	139,757	143,737	271,961
2010 (Projected)	568,549	145,831	147,873	288,898
2030 (Projected)	729,012	205,155	187,942	460,318
Growth Rate				
2000-2007	15.9%	23.7%	13.4%	41.1%
2007-2010 (Projected)	3.0%	4.3%	2.9%	6.2%
2010-2030 (Projected)	28.2%	40.7%	27.1%	59.3%

(1) Primary Service Area and Northern Secondary Service Area.
(2) Southern Secondary Service Area.
Source: Bureau of Economic and Business Research, University of Florida - Florida Population Studies, Volume 41, Bulletin 151, July 2008.

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The age of those living in the service areas is somewhat older than State and national averages. In 2000, residents over 65 in Brevard, Indian River, Martin and St. Lucie counties comprised 19.9%, 29.2%, 28.2% and 22.7% of the total population, respectively, while the State and U.S. population over 65 was 17.1% and 12.4%, respectively.

Population for Primary and Secondary Service Areas by Age

	0-17 Years		18-64 Years		65+ Years		Total
	Amount	%	Amount	%	Amount	%	
Brevard County [1]							
2000	104,699	22.0%	276,850	58.1%	94,681	19.9%	**476,230**
2007	111,610	20.2	327,050	59.2	113,449	20.6	**552,109**
2010 (Projected)	109,944	19.3	338,167	59.5	120,438	21.2	**568,549**
2030 (Projected)	126,115	17.3	364,722	50.0	238,175	32.7	**729,012**
Indian River County[2]							
2000	21,694	19.2	58,281	51.6	32,972	29.2	**112,947**
2007	26,139	18.7	75,738	54.2	37,880	27.1	**139,757**
2010 (Projected)	26,599	18.2	79,611	54.6	39,621	27.2	**145,831**
2030 (Projected)	33,184	16.2	93,467	45.5	78,504	38.3	**205,155**
Martin County [2]							
2000	23,623	18.7	67,322	53.1	35,786	28.2	**126,731**
2007	25,714	17.9	78,349	54.5	39,674	27.6	**143,737**
2010 (Projected)	25,339	17.2	81,059	54.8	41,475	28.0	**147,873**
2030 (Projected)	28,330	15.1	84,989	45.2	74,623	39.7	**187,942**
St. Lucie County [2]							
2000	43,583	22.6	105,359	54.7	43,753	22.7	**192,695**
2007	60,356	22.2	153,482	56.4	58,123	21.4	**271,961**
2010 (Projected)	62,672	21.7	163,821	56.7	62,405	21.6	**288,898**
2030 (Projected)	90,205	19.6	223,477	48.5	146,636	31.9	**460,318**

(1) Primary Service Area and Northern Secondary Service Area.
(2) Southern Secondary Service Area.
Source: Bureau of Economic and Business Research, University of Florida - Florida Population Studies, Volume 41, Bulletin 151, July 2008.

Employment

Brevard County has a strong economy with a broad spectrum of employers. As of October 2008, Brevard County's unemployment rate was 7.6%. The following table sets forth Brevard County's twenty largest non-governmental employers in 2007, which include the aerospace, healthcare, education and technology sectors.

Employer	Sector	Number of Employees
Harris Corporation	Communication Equipment	6,700
Health First	Medical Facilities	6,420
United Space Alliance	Space Flight Operations	5,890
Wuesthoff Health Systems	Medical Facilities	2,430
Space Gateway Support	Space/Defense Contractor	1,760
Northrop-Grumman Corp.	Search, Detection and Navigation Instr.	1,640
Rockwell-Collins Inc.	Avionics	1,430

Employer	Sector	Number of Employees
Parrish Medical Center	Medical Facilities	1,040
Sea Ray Boats	Boat Manufacturer	1,160
The Boeing Company	Guided Missile & Space Vehicle Mfg.	1,010
MIMA	Offices of Physicians	970
DRS Optronics, Inc.	Optical System	910
MC Assembly	Electronic Computer Manufacturing	890
Lockheed Martin Corporation	Guided Missile & Space Vehicle Mfg.	810
United Launch Alliance	Guided Missile & Space Vehicle Mfg.	800
Computer Sciences Raytheon	Facilities Support Services	972
Florida Tech	Private Education Facility	740
Indyne, Inc.	Facilities Support Service	690

Source: Economic Development Commission of Florida's Space Coast, Inc.

Income

The following table compares average per capita income data for the four counties in the Service Area to per capita income for the State of Florida and the United States.

	Brevard County	Indian River County	Martin County	St. Lucie County	State of Florida	United States
2004	30,562	47,286	48,728	25,744	32,618	33,123
2005	32,314	50,369	52,423	26,575	34,798	34,757
2006	34,081	54,045	56,741	27,540	36,720	36,714

Estimates reflect county population estimates available as of April 2008 per the U.S. Census Bureau.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.

Competition and Market Share in Primary and Secondary Service Areas

Wuesthoff Health Systems, Inc. operates an acute care hospital with 291 licensed and staffed beds in the northern part of the Obligated Group's primary service area that will compete primarily with Viera Hospital. Wuesthoff also operates an acute care hospital with 115 licensed and staffed beds in the central part of the Obligated Group's primary service area that competes primarily with Holmes Regional Medical Center.

Parrish Medical Center operates an acute care hospital with 210 licensed and staffed beds in Titusville, Florida, and is affiliated with the H. Lee Moffitt Cancer Center and Research Institute. Parrish Medical Center competes primarily with CCH.

Sebastian River Medical Center is an acute care hospital with 129 licensed and staffed beds in Sebastian, Florida, which is in PBH's primary service area.

Indian River Medical Center is an acute care hospital with 335 licensed and staffed beds in Vero Beach, Florida, that competes primarily with PBH and Holmes Regional Medical Center.

The following table shows the number and percentage of inpatient admissions in the primary service area and secondary service areas for the Obligated Group and its competitors for the fiscal years ended September 30, 2006, 2007 and 2008.

Inpatient Admissions for Primary and Secondary Service Areas

	FY 2006		FY 2007		FY 2008	
	Number	Percentage	Number	Percentage	Number	Percentage
Primary Service Area:						
Obligated Group (1)	38,187	59.2%	37,888	61.7%	33,986	60.6%
Wuesthoff Memorial Hospital (1)	20,148	31.2	17,668	28.8	17,154	30.6
Sebastian River Medical Center(2)	1,528	2.4	1,481	2.4	1,558	2.8
Parrish Medical Center (3)	1,374	2.1	1,472	2.4	1,213	2.1
Other	3,275	5.1	2,919	4.7	2,207	3.9
Total	**64,512**	**100%**	**61,428**	**100%**	**56,118**	**100%**
Secondary Service Area – North:						
Obligated Group (1)	787	8.3%	784	7.9%	659	7.0%
Parrish Medical Center (3)	6,484	68.0	7,119	71.7	6,742	72.1
Wuesthoff Memorial Hospital (1)	958	10.1	972	9.8	1,038	11.1
Other	1,302	13.7	1,049	10.6	915	9.8
Total	**9,531**	**100%**	**9,924**	**100%**	**9,354**	**100%**
Secondary Service Area-South:						
Obligated Group (1)	1,375	7.8%	974	5.9%	797	4.9%
Martin Memorial Hospital (1)	58	0.3	72	0.5	54	0.3
Indian River Medical Center (1)	12,026	68.2	11,671	70.8	11,728	71.6
Sebastian River Medical Center (1)	2,752	15.6	2,742	16.6	2,945	18.0
Lawnwood Reg. Medical Center (2)	387	2.2	318	1.9	289	1.8
Other	1,038	5.9	707	4.3	572	3.4
Total	**17,636**	**100%**	**16,484**	**100%**	**16,385**	**100%**

(1) Not for profit corporation.
(2) For profit corporation.
(3) Governmental body.
Source: Florida Agency for Health Care Administration Data, 2008.

Discussion of Inpatient Market Share Trends. The Obligated Group captured between 59% and 62% of inpatient admissions in its primary service area in its fiscal years 2006 through 2008. Wuesthoff Memorial Hospital captured 31% of the primary service area for the twelve months ended September 30, 2008. Parrish Medical Center had the largest market share in the northern secondary service area, with 72% of inpatient admissions for the twelve months ended September 30, 2008. The Obligated Group maintained a market share of between 7 and 8% in the northern secondary service area for its fiscal years 2006 through 2008. Indian River Medical Center had the greatest market share in the southern secondary service area for each of the fiscal years 2006 through 2008. Indian River Medical Center and Sebastian River Medical Center maintained a 72% and 18% share for the twelve months ended September 30, 2008, respectively, with Sebastian's market share increasing in each of the last three twelve-month periods ended September 30, 2008. The Obligated Group held a 5% share in this service area as of its fiscal year ended September 30, 2008.

HISTORICAL UTILIZATION AND OCCUPANCY

Utilization Statistics for the Hospitals

The following table summarizes selected utilization data for each of the Hospitals for the fiscal years ended September 30, 2006, 2007 and 2008 and for the six-months ended March 31, 2008 and 2009.

	HOLMES					CCH					PBH				
	2006	2007	2008	3/31/08	3/31/09	2006	2007	2008	3/31/08	3/31/09	2006	2007	2008	3/31/08	3/31/09
Acute Care:															
Licensed Beds	514	514	514	514	514	150	150	150	150	150	60	60	60	60	60
Total Admissions	28,242	28,995	26,521	13,841	12,602	6,999	6,844	6,393	3,274	3,201	4,480	4,524	4,231	2,121	2,083
Total Discharges	28,748	29,341	26,493	13,913	12,696	7,033	6,881	6,356	3,276	3,188	3,962	4,104	3,795	1,924	1,885
Total Patient Days	147,849	151,391	143,775	75,521	71,226	30,956	30,527	28,984	14,999	14,972	19,899	22,269	20,380	10,310	10,379
Observation Days	9,018	10,205	18,748	8,435	10,869	3,665	3,536	3,956	1,903	2,294	2,210	2,179	3,657	1,576	2,556
Average Length of Stay (days)	5.1	5.2	5.4	5.4	5.6	4.4	4.4	4.6	4.6	4.7	5.0	5.4	5.4	5.4	5.5
Percentage of Occupancy	69%	79%	85%	89%	81%	63%	62%	60%	62%	63%	101%	112%	110%	108%	119%
Births	2,143	2,585	2,661	1,323	1,202	730	781	667	351	375	0	0	0	0	0
Outpatient	3,745	4,153	4,615	2,150	2,268	3,189	3,099	2,927	1,445	1,372	3,224	3,675	3,680	1,843	1,706
Emergency Room Visits	52,919	55,956	58,231	29,814	31,450	32,670	31,913	30,200	15,719	14,762	35,509	35,913	35,369	18,091	17,943
Medicare Case Mix Index	1.7106	1.6444	1.6781	16,166	17,441	1.2984	1.323	1.4134	14,262	14,601	1.272	1.2631	1.299	12,514	15,120
Total Case Mix Index	1.5074	1.4252	1.4536	14,135	15,011	1.1173	1.1424	1.2017	11,622	12,350	1.2107	1.2089	1.2832	12,480	13,718

Utilization Statistics for the Combined Group

The following table summarizes selected utilization data for the entire Combined Group for the fiscal years ended September 30, 2006, 2007 and 2008 and for the six months ended March 31, 2008 and 2009.

COMBINED GROUP

	2006	2007	2008	3/31/08	3/31/09
Acute Care:					
Licensed Beds	724	724	724	724	724
Total Admissions[(1)]	39,721	40,363	37,145	19,236	17,886
Total Discharges[(1)]	39,743	40,326	36,644	19,113	17,769
Total Patient Days[(1)]	198,704	204,187	193,139	100,830	96,577
Observation Days[(1)]	14,893	15,920	26,361	11,914	15,719
Average Length of Stay (days)	5.0	5.1	5.3	5.3	5.4
Percentage of Occupancy	81%	83%	83%	85%	85%
Births	2,873	3,366	3,328	1,674	1,577
Outpatient Surgeries	10,158	10,927	11,222	5,438	5,346
Emergency Room Visits	121,098	123,782	123,800	63,624	64,155
Medicare Case Mix Index	1.6057	1.5255	1.5902	1.5834	1.6662
Total Case Mix Index	1.3555	1.3511	1.3924	1.3705	1.4399
Health Plan:					
Market Share - Commercial	17%	17%	17%	17%	16%
Market Share – Medicare	76%	72%	69%	69%	70%
Excess of Surplus Required	$6,356,995	$13,619,716	$21,363,299	$15,001,523	$26,830,863
Members – Commercial/ASO	51,916	42,058	41,255	40,962	40,948
Members – Medicare	21,439	22,231	22,431	22,515	22,700
Medical Loss Ratio:					
Commercial	88%	92%	90%	92%	88%
Medicare	93%	90%	82%	86%	90%
Inpatient days per 1,000 lives:					
Commercial	234	242	229	149	125
Medicare	1,695	1,690	1,501	980	943
Other Services:					
Home Health Visits	75,015	75,621	77,449	38,639	41,364

[(1)] The Health First system continues to improve its efforts to classify patients at the correct level of service, particularly among the observation and admission levels. Such efforts have led to increasing observation classifications and decreasing admission classifications and are primarily responsible for the decrease in admissions, discharges, and patient days and the increase in observation days from the fiscal year ended September 30, 2007 to the fiscal year ended September 30, 2008 and from the six-month period ended March 31, 2008 to the six-month period ended March 31, 2009.

SELECTED FINANCIAL INFORMATION ABOUT THE COMBINED GROUP

Sources of Gross Patient Revenue

Payments to the Members of the Combined Group are made on behalf of certain patients by third party insurance plans and government agencies. As with the hospital industry at large, the Combined Group has generally experienced a significant shift from payors who pay on the basis of cost, charges, or discounted charges, to payors who pay on a per diem, diagnosis-based or capitated basis.

The following table shows a percentage breakdown of gross patient revenue by payor source for the three fiscal years ended September 30, 2006, 2007 and 2008 and for the six months ended March 31, 2008 and 2009.

Sources of Gross Patient Revenue

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
Payor Source	**2006**	**2007**	**2008**	**2008**	**2009**
Medicare	37%	36%	35%	36%	35%
Managed Care[(1)]	41	43	43	42	42
Medicaid	5	5	6	5	6
Commercial	3	2	2	2	2
Other	14	14	14	15	15
TOTAL	100%	100%	100%	100%	100%

(1) Includes Medicare and Medicaid managed care.

Summary Financial Information

The following selected financial data for the three years ended September 30, 2008 are derived from the audited consolidated financial statements of Health First. The financial data for the six months ended March 31, 2008 and 2009 are derived from unaudited financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Health First considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the entire year ending September 31, 2009. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

Consolidated Summary of Revenues and Expenses
(dollars in thousands)

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
	2006	2007	2008	2008	2009
Unrestricted revenues, gains and other support:					
Net patient revenue (excludes charity care)	$487,615	$499,071	$529,992	$266,004	$282,281
Premium revenue	303,878	345,256	371,363	177,814	188,873
Income from joint ventures	1,240	2,035	1,995	935	741
Other operating revenue	25,826	25,218	21,679	12,315	11,572
Net assets released from restrictions used for operations	683	2,049	1,331	327	1,888
Total unrestricted revenues, gains and other support	819,242	873,629	926,360	457,395	485,355
Expenses:					
Salaries and benefits	306,512	335,258	343,814	173,338	174,180
Supplies and other expenses	241,642	250,302	245,525	116,604	122,840
Medical services expense	178,514	203,998	202,768	101,646	110,264
Depreciation and amortization	36,732	45,517	46,812	22,676	23,111
Provision for bad debts	25,683	36,619	45,695	21,557	25,592
Interest	9,496	13,927	13,677	6,821	6,716
Change in value of non-designated derivative	367	--	--	--	--
Total expenses	798,946	885,621	898,291	442,642	462,703
Income (loss) from operations	20,296	(11,992)	28,069	14,753	22,652
Nonoperating gains (losses):					
Investment income	6,568	17,874	5,172	3,745	3,599
Unrealized gain (loss) on equity-linked notes	11,588	14,088	(53,033)	(21,043)	(24,949)
Other nonoperating revenue	--	--	(2,550)	(1,900)	(150)
Excess of revenues and gains over expenses and losses	$38,452	$19,970	$(22,342)	$(4,445)	$1,152

Actual and Pro Forma Debt Service Coverage Ratios

The following table shows the coverage ratio of income available for debt service to actual annual long-term debt of the Combined Group for the periods indicated and the coverage ratio of income available for debt service to pro forma long-term debt of the Combined Group. There can be no assurance that the Combined Group will generate income available for debt service in future years comparable to historical performance.

Actual and Pro Forma Debt Service Coverage Ratios
(dollars in thousands)

	Fiscal Year Ended September 30,		
	2006	**2007**	**2008**
Excess of revenue and gains over expenses and losses[(1)]	$26,864	$5,882	$30,691
Depreciation and amortization	36,732	45,517	46,812
Interest	9,496	13,927	13,677
Income available for debt service	$73,092	$65,326	$91,180
Actual debt service on existing debt	$21,059	$24,483	$23,030
Historical actual debt service coverage	3.47	2.67	3.96
Estimated aggregate maximum annual debt service on all outstanding Bonds[(2)]	--	--	$38,078
Pro forma debt service coverage[(3)]	--	--	2.39

(1) Excluding change in value of equity-linked notes.

(2) Includes Series 2009A Bonds and Series 2009B Bonds and excludes other non-parity indebtedness. With respect to variable rate indebtedness, the assumed interest rates are as follows: 3.50% for Obligation No. 6; 3.50% for Obligation No. 7; and 5.135% from 2009 through 2016 and 2.516% from 2016 through 2029 for Obligation No. 10.

(3) Formula for calculating pro forma debt service coverage = ((Total historical operating revenue – total historical operating expenses) + historical depreciation and amortization expenses + historical interest expense)/ future maximum annual debt service {principal + interest} payments for all outstanding indebtedness of the Combined Group, including the Series 2009A Bonds and the Series 2009B Bonds.

Cash and Investments

The following table sets forth the Combined Group's cash and investments as of September 30, 2006, 2007 and 2008 and as adjusted on a pro forma basis as of September 30, 2008 to reflect the issuance of the Series 2009A Bonds and the Series 2009B Bonds:

Cash and Investments
(dollars in thousands)

	As of September 30,			
	2006	**2007**	**2008**	**Pro Forma 2008**[4]
Unrestricted Cash and Investments	$283,075	$281,493	$254,917	$337,917
Board Designated Investments[1]	2,742	5,127	4,925	4,925
	285,817	286,620	259,842	342,842
Restricted Trustee Held Funds[2]	104,263	89,326	38,430	47,015
Restricted for Property and Equipment Acquisition[3]	--	--	--	62,000
Total Cash and Investments	$390,080	$375,946	$298,272	$451,857

(1) Investments internally designated by the Combined Group for physician programs, capital expenditures and fund raising.
(2) Funds for debt service payments, debt service reserve fund and self insurance programs.
(3) Restricted for the acquisition of property and equipment.
(4) Includes an estimated $83 million of reimbursement for prior capital expenditures which are to be reimbursed with proceeds of the Series 2009A Bonds and the Series 2009B Bonds.
Source: Health First

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Liquidity

The Combined Group has considerable liquidity in the form of cash and cash equivalents, assets limited as to use and investments. Liquidity is managed to ensure there is sufficient funding to satisfy demands for operations, capital acquisitions, and attractive investment opportunities. Sources of net liquidity are unrestricted cash, cash equivalents, investments and assets limited as to use. The following table sets forth the liquidity of the Combined Group as of September 30, 2006, 2007 and 2008 and as adjusted on a pro forma basis as of September 30, 2008 to reflect the issuance of the Series 2009A Bonds and the Series 2009B Bonds.

Liquidity
(dollars in thousands)

	As of September 30,			
	2006	**2007**	**2008**	**Pro Forma 2008**[(1)]
Unrestricted Cash and Investments	$283,075	$281,493	$254,917	$337,917
Board Designated Investments	2,742	5,127	4,925	4,925
Total Cash and Investments	$285,817	$286,620	$259,842	$342,842
Total Expenses	$798,946	$885,621	$898,291	$898,291
Less Depreciation and Amortization	36,732	45,517	46,812	46,812
Net Expenses	$762,214	$840,104	$851,479	$851,479
Days in Period	365	365	365	365
(Unrestricted Cash and Investments * Days in Period) ÷ Net Expenses = Days Cash on Hand	136.9	124.5	111.4	147.0

(1) Includes an estimated $83 million of reimbursement for prior capital expenditures which are to be reimbursed with proceeds of the Series 2009A Bonds and the Series 2009B Bonds.
Source: Health First

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Capitalization

The following table sets forth the capitalization of the Combined Group as of September 30, 2006, 2007 and 2008, and as adjusted on a pro forma basis as of September 30, 2008 to reflect the issuance of the Series 2009A Bonds and the Series 2009B Bonds. The table also shows the historical ratios of long-term debt (net of current maturities) to total capitalization.

Capitalization
(dollars in thousands)

	As of September 30,			
	2006	2007	2008	Pro Forma 2008
Total Long-Term Debt	$356,761	$346,205	$336,852	$491,682
Less Current Maturities	10,805	9,603	9,194	9,194
Long-Term Debt (a)	345,956	336,602	327,658	482,488
Unrestricted Net Assets (b)	458,041	484,338	447,790	447,790
Total Capitalization (a+b)	$803,997	$820,940	$775,448	$939,278
Ratio of Long-Term Debt to Total Capitalization	43.0%	41.0%	42.3%	51.9%

Source: Health First

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the financial performance and condition of the Combined Group. Discussion relating to each of the fiscal years ended September 30, 2006, 2007 and 2008 should be read in conjunction with the consolidated financial statements and accompanying notes for the three years ended September 30, 2006, 2007 and 2008 in **Appendix B** to this Official Statement.

Overview

The Combined Group's dedication to quality, value, and service has been the foundation of its financial accomplishments. During the fiscal years ended September 30, 2006, 2007 and 2008 and the six months ended March 31, 2009, the Combined Group experienced favorable financial performance. The Combined Group continues to benefit from sustained market share, enhanced revenue performance and growth in the Health First Health Plans operations. Management believes the Combined Group is strategically positioned to continue to deliver positive financial performance in the coming years. The Combined Group is committed to maintaining successful financial operations in order to assure the continuing availability of quality health care services to the communities it serves.

Results of Operations for the Six Months Ended March 31, 2009

The Combined Group's unrestricted revenues, gains and other support for the six months ended March 31, 2009 increased $27.96 million or 6.1%, from the six months ended March 31, 2008. The Combined Group's net patient revenue for the six months ended March 31, 2009 increased $16.3 million or 6.1%, from the six months ended March 31, 2008. Premium revenue increased $11.1 million for the six months ended March 31, 2009, which reflects a 6.2% increase over the six month period ended March 31, 2008.

Total expenses for the six months ended March 31, 2009 increased $20.1 million or 4.5%, from the six months ended March 31, 2008. Salary cost and the related benefits for the six months ended March 31, 2009 increased by $842,000 or only 0.5%, from the six months ended March 31, 2008. Supply

cost and other expenses for the six months ended March 31, 2009 increased $6.2 million or 5.4%, from the six month period ended March 31, 2008. Provision for bad debts for the six months ended March 31, 2009 increased $4.0 million or 18.7%, from the six month period ended March 31, 2008.

The favorable revenue growth during the six month period ended March 31, 2009 positively influenced Combined Group performance. Investment income decreased during the first six months of fiscal year 2009 by $146,000 compared to the first six months of fiscal year 2008 due to market conditions affecting portfolio performance. Interest expense decreased $105,000 over the course of the same time period.

As a result, the Combined Group's income from operations increased by $7.9 million for the six months ended March 31, 2009 versus the six month period ended March 31, 2008 for an increase of 53.6%. Excess of revenues over expenses (before unrealized gains and/or losses on equity-linked notes) equaled $26.1 million during the six months ended March 31, 2009 versus $16.6 million for the six months year ended March 31, 2008, representing a 57.2% increase.

Results of Operations for the Fiscal Year Ended September 30, 2008

The Combined Group's unrestricted revenues, gains and other support for the year ended September 30, 2008 increased $52.7 million or 6%, from the year ended September 30, 2007. The Combined Group's net patient revenue for the year ended September 30, 2008 increased $30.9 million or 6.2%, from the year ended September 30, 2007. Health First Health Plans' Commercial and Medicare product line memberships continued to grow during the year ended September 30, 2008. The resulting increase in premium revenue of $26.1 million for the year ended September 30, 2008, reflects a 7.6% increase over September 30, 2007.

Total expenses for the year ended September 30, 2008 increased $12.7 million or only 1.4%, from the year ended September 30, 2007. Salary cost and the related benefits for the year ended September 30, 2008 increased $8.6 million or 2.6%, from the year ended September 30, 2007. Supply cost and other expenses for the year ended September 30, 2008 decreased $4.8 million or 1.9%, from the year ended September 30, 2007, primarily due to greater efficiencies in the System over the previous year. Provision for bad debts for the year ended September 30, 2008 increased $9.1 million or 24.8%, from the year ended September 30, 2007.

The favorable revenue growth and expense reductions during the year ended September 30, 2008 substantially influenced Combined Group performance.

Investment income and other revenue decreased during the fiscal year ended September 30, 2008 due to market conditions affecting portfolio performance. Non-realized losses associated with equity-linked notes were $53 million, for the year ended September 30, 2008, compared to a gain of $14 million for the year ended September 30, 2007. Although the equity-linked notes are marked down in value, as of September 30, 2008 all notes continue to make all required principal and interest payments. Interest expense decreased $250,000.

As a result, the Combined Group's excess of revenues over expenses (before unrealized gains and/or losses on equity-linked notes) equaled $30.7 million during the fiscal year ended September 30, 2008 versus $5.9 million for the fiscal year ended September 30, 2007 representing a 420.3% increase resulting in an excess margin of 3.3% for fiscal year ended September 30, 2008.

Results of Operations for the Fiscal Year Ended September 30, 2007

The Combined Group's unrestricted revenues, gains and other support for the year ended September 30, 2007 increased $54.4 million or 6.6%, from the year ended September 30, 2006. The Combined Group's net patient revenue for the year ended September 30, 2007 increased $11.5 million or

2.3%, from the year ended September 30, 2006. Health First Health Plans' Commercial and Medicare product line memberships continued to grow during the year ended September 30, 2007. The resulting increase in premium revenue of $41.4 million for the year ended September 30, 2006, reflects a 13.6% increase over September 30, 2006.

Total expenses for the year ended September 30, 2007 increased $86.7 million or 10.8%, from the year ended September 30, 2006. Salary cost and the related benefits for the year ended September 30, 2007 increased $28.7 million or 9.4%, from the year ended September 30, 2006. Supply cost and other expenses for the year ended September 30, 2007 increased $8.7 million or 3.6%, from the year ended September 30, 2006, primarily due to inflation cost to medical surgical supplies over the previous year. Provision for bad debts for the year ended September 30, 2007 increased $10.9 million or 42.6%, from the year ended September 30, 2006, because of an increase in the self-pay populations and an increase in gross revenue charges.

The favorable revenue growth during the year ended September 30, 2007 substantially influenced Combined Group performance. Investment income and other revenue, including the change in value of equity-linked notes, for the year ended September 30, 2007 increased $13.8 million or 76.0%, compared to the year ended September 30, 2006, due to good market performance. Interest expense increased $4.4 million due to variable rates of interest on portions of outstanding debt and continued use of the Series 2005 bond funds.

Results of Operations for Fiscal Year Ended September 30, 2006

Total unrestricted revenues, gains and other support for the fiscal year ended September 30, 2006 increased $60.6 million or 8.0%, from the prior fiscal year ended September 30, 2005. Health First Health Plans' memberships continued to grow during the fiscal year ended September 30, 2006, resulting in increased premium revenue of $53.4 million more than the year ended September 30, 2005. This reflects a 21.3% increase over the fiscal year ended September 30, 2005. The Combined Group's net patient revenue for the fiscal year ended September 30, 2006 increased $8.3 million or 1.7%, from the fiscal year ended September 30, 2005.

Expenses for fiscal year ended September 30, 2006 increased $74.0 million or 10.2%, from the fiscal year ended September 30, 2005. Salary and benefit cost for the fiscal year ended September 30, 2006 increased $21.8 million or 7.7%, from the fiscal year ended September 30, 2005. Annual merit increases as well as marketing adjustments resulted in the increase. Costs of supplies and other expenses for the fiscal year ended September 30, 2006 increased $10.2 million or 4.4%, from the fiscal year ended September 30, 2005. Provision for bad debts for the fiscal year ended September 30, 2006 decreased $6.8 million or 20.9%, from the fiscal year ended September 30, 2005.

Positive revenue growth during the fiscal year ended September 30, 2006 influenced overall performance. Premium revenue from Health First Health Plans continues to grow. Investment income, including the change in value of equity-linked notes, for the fiscal year ended September 30, 2006 increased $2.9 million or 18.8%, compared to the fiscal year ended September 30, 2005, while interest expense remained relatively flat.

Capital and Strategic Plans

The Obligated Group's strategy is to strengthen its position as a health care provider of choice by providing high quality care and responding to community health care needs. Currently, the Obligated Group has no expectation of borrowing for routine capital needs through long-term financing. The Obligated Group will continue to assess its long-term capital needs over time, and budget and finance such needs subject to overall profitability. See **"PLAN OF FINANCING"** in the forepart hereto.

The Obligated Group plans for, evaluates and pursues potential merger and affiliation candidates on a consistent basis as part of its overall strategic planning and development process. Members of the Obligated Group may receive offers from, or conduct discussions with, third parties about the potential acquisition of operations or properties that may become part of Health First's health care system in the future, or about the potential sale of some of the operations and properties of the Members of the Obligated Group and their affiliates. Discussions with respect to affiliation, merger, acquisition, disposition, or change of use, are held on an intermittent and usually confidential basis with other parties.

Investment Policy

Funds held under the Bond Indenture are required to be invested in Qualified Investments (as defined in the Bond Indenture). All other funds are required to be invested according to the Health First, Inc. Master Investment Policy (the "Investment Policy") adopted by the Board, which policy may be modified from time to time. The objectives of the Investment Policy are to balance the long-term desire to earn a competitive real rate of return, net of inflation, with the short-term need to provide an adequate degree of liquidity. The Board retains outside investment advisors to assure that all investments are managed in a prudent and professional manner and in compliance with the stated objectives and constraints of the Investment Policy.

Investment Policy Target Asset Allocation

Type of Asset	Domestic Equity Securities	International Equity Securities	Equity Linked Notes	Fixed Income Securities	Cash and Short-Term Investments
Target	10%	5%	40%	20%*	25%
Range	0% to 25%	0% to 10%	30% to 50%	15% to 25%	10% to 35%

*10% of which are allocated specifically to meet current liquidity needs.

The target asset allocation may be changed by the Board and its Investment Advisors from time to time to meet the objectives of the Investment Policy, provided that domestic equity securities compose no more than 25% of the asset allocation and international equity securities compose no more than 10% of the asset allocation.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Health First, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2009B Bonds, or in any way contesting or affecting the validity of the Series 2009B Bonds, or any proceedings of any Member of the Obligated Group with respect to the Series 2009B Bonds or the existence or powers of any Member of the Obligated Group, except as described below.

On May 23, 2007, Wuesthoff Health System, Inc. ("Wuesthoff") filed a lawsuit (the "Wuesthoff Complaint") in the Circuit Court for the Eighteenth Judicial Circuit in and for Brevard County, Florida (the "Court"), alleging seven counts of various antitrust violations by Health First, Holmes Corporation, CCH Corporation, Health First Health Physicians and Health First Health Plans (hereinafter collectively referred to as the "Health First Group"). See "SERVICE AREA AND COMPETITION—Competition" in this Appendix A for more information regarding Wuesthoff.

Wuesthoff alleges, among other things, that the Health First Group has "impermissibly obtained market power in the general acute care in-patient hospital market, and managed care markets" in the central and south portion of Brevard County (the "Market Area") as a result of the merger between Holmes Regional Medical Center, Inc. and Cape Canaveral Hospital, Inc. in 1995 in violation of Section 7 of the Clayton Antitrust Act. Wuesthoff alleges that the Health First Group has (i) attempted to

monopolize the general acute care in-patient hospital services in the Market Area; (ii); compelled managed care plans to enter into contracts which are designed to limit the hospitals with which managed care plans can contract; (iii) acted in concert with area physicians to restrain trade and exclude competition; (iv) unlawfully exercised and maintained monopoly power over Medicare managed care services in the Market Area; (v) attempted to monopolize the Small Group Commercial managed care market in the Market Area; and (vi) conspired with independent physicians to monopolize the market for general acute care inpatient hospital services in the Market Area; all of which have impermissibly restrained trade and reduced and/or eliminated competition in the Market Area, causing competitive injury to Wuesthoff in the form of lost managed care business and lost referrals from physicians.

In its petition for relief, Wuesthoff requests, among other things, (i) that the Health First Group be prohibited from owning or operating Viera Hospital in Viera, Florida (which is located in south Brevard County); (ii) the divesture of Cape Canaveral Hospital, Inc., Health First Physicians, Inc. and Health First Health Plans, Inc. from Health First, Inc.; and (iii) damages and attorneys' fees.

On February 21, 2008, the Health First Group filed its Answer and Affirmative Defenses with the Court and will continue to vigorously contest the allegations contained in the Wuesthoff Complaint. Although it is premature to assess the likely course or outcome of the litigation, if the outcome of the litigation is adverse to the Health First Group, the Health First Group could incur material liabilities for damages or other adverse financial consequences.

On May 15, 2007, Richard Hynes, M.D. ("Hynes") and Brevard Orthopedic, Spine & Pain Clinic Inc. ("BOC") filed a lawsuit (the "Hynes Antitrust Complaint") in the Court, alleging twelve counts of various antitrust and other violations by the Health First Group. Hynes is alleging almost identical acts as Wuesthoff does in its May 23, 2007 Amended Complaint as well as an identical prayer for relief. On December 10, 2007 the Health First Group filed its Motion to Dismiss the Hynes Complaint with the Court will continue to vigorously contest the allegations contained therein. Although it is premature to assess the likely course or outcome of the litigation, if the outcome of the litigation is adverse to the Health First Group, the Health First Group could incur material liabilities for damages or other adverse financial consequences.

On February 1, 2007, Hynes and BOC filed a lawsuit (the "Hynes Contract Complaint") in the Court, alleging a breach of contract by Health First Medical Management, Inc. ("HFMM"). This case arises out of a contract dated February 1, 2002 between Hynes and HFMM. The contract provided that HFMM was to serve as attorney-in-fact for billing, collecting and endorsing checks received for medical services, contesting denials by governmental agencies of claims for medical services, and initiating legal actions for Hynes on claims for furnishing medical services. HFMM presented a new contract to Hynes in 2005 to replace the 2002 contract. The 2005 contract substituted BOC for Hynes and reduced the amount of fees due to HFMM. This lawsuit is based on claims that HFMM breached the contract by failing to properly bill its accounts, did not inform Hynes of the status of its collections, and failed to turn over the required patient, insurance and billing information to Hynes on the termination of the contract. HFMM has filed an Answer and Counterclaim and will continue to vigorously contest the allegations contained in the Hynes Contract Complaint. Although it is premature to assess the likely course or outcome of the litigation, if the outcome of the litigation is adverse to HFMM, HFMM could incur material liabilities for damages or other adverse financial consequences.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
HEALTH FIRST, INC.

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CONSOLIDATED FINANCIAL STATEMENTS

Health First, Inc. and Subsidiaries
Years Ended September 30, 2008 and 2007
With Report of Independent Certified Public Accountants

Health First, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended September 30, 2008 and 2007

Contents

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Report of Independent Certified Public Accountants

The Board of Directors
Health First, Inc.

We have audited the accompanying consolidated balance sheets of Health First, Inc. and subsidiaries (the Corporation) as of September 30, 2008 and 2007, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Corporation's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Health First, Inc. and subsidiaries at September 30, 2008 and 2007, and the consolidated results of their operations, the changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

December 19, 2008

Health First, Inc. and Subsidiaries

Consolidated Balance Sheets

	September 30	
	2008	**2007**
Assets	*(In Thousands)*	
Current assets:		
Cash and cash equivalents	**$ 77,215**	$ 5,602
Investments	**177,702**	275,891
Current portion of assets limited as to use	**16,099**	16,582
Accounts receivable, less allowance for uncollectible accounts of $32,900 in 2008 and $26,254 in 2007	**73,845**	86,120
Inventories	**12,437**	12,201
Prepaid expenses and other current assets	**21,466**	19,531
Total current assets	**378,764**	415,927
Assets limited as to use, less current portion	**27,256**	77,871
Other assets	**23,039**	23,503
Property and equipment, net	**504,531**	461,175
Total assets	**$ 933,590**	$ 978,476
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 116,790**	$ 115,933
Current portion of long-term debt and capital lease obligation	**9,194**	9,603
Total current liabilities	**125,984**	125,536
Long-term debt and capital lease obligation, less current portion	**327,658**	336,602
Other noncurrent liabilities	**23,824**	23,709
Total liabilities	**477,466**	485,847
Net assets:		
Unrestricted	**447,790**	484,338
Temporarily restricted	**8,334**	8,291
Total net assets	**456,124**	492,629
Total liabilities and net assets	**$ 933,590**	$ 978,476

See accompanying notes.

Health First, Inc. and Subsidiaries

Consolidated Statements of Operations
and Changes in Net Assets

	Year Ended September 30	
	2008	**2007**
	(In Thousands)	
Unrestricted revenues, gains, and other support:		
Net patient service revenue, excluding charity care of $85,988 in 2008 and $69,818 in 2007	**$ 529,992**	$ 499,071
Premium revenue	**371,363**	345,256
Income from joint ventures	**1,995**	2,035
Other revenue	**21,679**	25,218
Net assets released from restrictions for operations	**1,331**	2,049
Total unrestricted revenues, gains, and other support	**926,360**	873,629
Expenses and losses:		
Salaries and benefits	**343,814**	335,258
Supplies and other expenses	**245,525**	250,302
Medical service expense	**202,768**	203,998
Depreciation and amortization	**46,812**	45,517
Provision for bad debt	**45,695**	36,619
Interest	**13,677**	13,927
Total expenses and losses	**898,291**	885,621
Income (loss) from operations	**28,069**	(11,992)
Nonoperating gains (losses):		
Investment income	**5,172**	17,874
Change in value of equity-linked notes	**(53,033)**	14,088
Other	**(2,550)**	–
Total nonoperating (losses) gains	**(50,411)**	31,962
(Deficiency) excess of revenues, gains, and other support over expenses and losses	**(22,342)**	19,970

Continued on next page.

Health First, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Year Ended September 30	
	2008	**2007**
	(In Thousands)	
Unrestricted net assets:		
(Deficiency) excess of revenues, gains, and other support over expenses and losses	**$ (22,342)**	$ 19,970
Other changes in unrestricted net assets:		
Net unrealized (losses) gains on other-than-trading securities	**(14,108)**	6,327
Other	**(98)**	–
(Decrease) increase in unrestricted net assets	**(36,548)**	26,297
Temporarily restricted net assets:		
Contributions	**1,428**	1,954
Investment income	**30**	68
Net assets released from restrictions for operations and purchases of property and equipment	**(1,397)**	(2,049)
Other	**(18)**	62
Increase in temporarily restricted net assets	**43**	35
(Decrease) increase in net assets	**(36,505)**	26,332
Net assets, beginning of year	**492,629**	466,297
Net assets, end of year	**$ 456,124**	$ 492,629

See accompanying notes.

Health First, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended September 30	
	2008	**2007**
	(In Thousands)	
Operating activities		
(Decrease) increase in net assets	**$ (36,505)**	$ 26,332
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Net unrealized losses (gains) on trading and other-than-trading securities	**14,110**	(6,965)
Realized losses (gains) on sales of securities	**196**	(10,416)
Other-than-temporary impairment loss	**428**	–
Change in value of equity-linked notes	**53,033**	(14,088)
Restricted contributions and investment income	**(1,458)**	(2,022)
Income from joint ventures	**(1,995)**	(2,035)
Depreciation and amortization	**46,812**	45,517
Provision for bad debt	**45,695**	36,619
Changes in operating assets and liabilities:		
Accounts receivable, net	**(33,420)**	(41,889)
Inventories	**(236)**	(705)
Other operating assets	**(833)**	(3,937)
Accounts payable and accrued liabilities	**857**	18,283
Other noncurrent operating liabilities	**115**	(11,509)
Net cash provided by operating activities	**86,799**	33,185
Investing activities		
Decrease (increase) in investments	**30,422**	(8,021)
Joint venture distributions	**1,357**	1,785
Decrease in assets limited as to use	**51,098**	12,552
Purchases of property and equipment	**(90,168)**	(72,039)
Net cash used in investing activities	**(7,291)**	(65,723)
Financing activities		
Repayments of long-term debt and capital lease obligation	**(9,353)**	(10,556)
Restricted contributions and investment income	**1,458**	2,021
Net cash used in financing activities	**(7,895)**	(8,535)
Increase (decrease) in cash and cash equivalents	**71,613**	(41,073)
Cash and cash equivalents, beginning of year	**5,602**	46,675
Cash and cash equivalents, end of year	**$ 77,215**	$ 5,602

See accompanying notes.

Health First, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2008
(In Thousands)

1. Reporting Entity

Organization and Consolidation

Health First, Inc. (the Parent) is a tax-exempt parent holding company located in Brevard County, Florida, whose primary purpose is to direct the affairs of a multientity health care system which includes the following affiliates:

- Holmes Regional Medical Center, Inc. (HRMC) – a tax-exempt, 514-bed acute care hospital.
- Palm Bay Hospital (PBH) – a tax-exempt, 60-bed acute care hospital that is a division of HRMC.
- Pro Health Fitness Center (PH) – a tax-exempt division of HRMC with four state-of-the-art health and fitness centers.
- Cape Canaveral Hospital, Inc. (CCH) – a tax-exempt, 150-bed acute care hospital and home health agency.
- Health First Health Plans, Inc. (HFHP) – a taxable entity providing various health care insurance services to employees of the Parent, other employers, and Medicare Advantage Plans.
- Health First Physicians, Inc. (HFP) and Health First Medical Management, Inc. (HFMM) – taxable entities providing a system of primary care centers, as well as physician practice management services.
- Hospice of Health First, Inc. (HHF) – a tax-exempt entity that provides care for terminally ill individuals.
- Health First Foundation, Inc. (HFF) – a tax-exempt entity that performs philanthropic activities.
- Other affiliated organizations include Cape Health Properties, Inc. (CHP), Health First Holding Corp. (HFH), Holmes Regional Enterprises, Inc. (HRE), Health First Family Pharmacy (HFFP), a division of HRMC, and taxable entities which manage health care-related and/or other businesses and professional services.

The Parent is the sole member or owner of each of the above entities except CHP, a subsidiary of CCH, and controls the multientity structure through Board appointment and approval of all major transactions.

2. Significant Accounting Policies

The accompanying consolidated financial statements include the accounts of the Parent and its controlled affiliates (referred to herein collectively, as the Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Statement Presentation

The Corporation conforms to the requirements of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (unrestricted, temporarily restricted, and permanently restricted) according to externally (donor) imposed restrictions.

Cash and Cash Equivalents

The Corporation classifies all highly liquid investments with an original maturity of 90 days or less when purchased as cash and cash equivalents, excluding amounts limited as to use by Board designation or other arrangements under trust agreements. Cash deposits are federally insured in limited amounts.

Investments and Investment Income

The Corporation conforms to requirements of SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair value in the consolidated balance sheets. Investment income or loss, including realized gains and losses on investments and interest and dividends, is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from the excess of revenues over

2. Significant Accounting Policies (continued)

expenses, unless the investments are trading securities. Other-than-temporary impairment of investments represents losses on debt and equity securities for which the decline in the fair value below the cost basis was determined to be other than temporary.

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under bond indenture agreements and designated assets set aside by the Board for malpractice and other obligations, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Corporation are reported as current assets.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as are interest costs during the period of construction for such expenditures. Depreciation is computed utilizing the straight-line method at rates estimated by management to amortize the cost of the various assets within the periods of expected use. Amortization of assets recorded under capital leases is included in depreciation expense and accumulated depreciation.

Contributions

The Corporation records contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. SFAS No. 116 established accounting standards for contributions for donees (and donors) and generally requires unconditional promises to give cash and other assets (including multiyear promises) to be recognized at fair value as revenue and expenses in the period made.

2. Significant Accounting Policies (continued)

Noncash contributions are valued at fair market value on the date of the gift. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations and changes in net assets, as net assets are released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements. Temporarily restricted net assets are primarily available for property and equipment purchases and operations of HRMC, CCH, and HHF.

Excess (Deficiency) of Revenues, Gains and Other Support Over Expenses and Losses

The consolidated statements of operations and changes in net assets include excess (deficiency) of revenues, gains, and other support over expenses and losses. Changes in unrestricted net assets that are excluded from excess (deficiency) of revenues, gains, and other support over expenses and losses include changes in unrealized gains and losses on other-than-trading investments and contributions of long-lived assets, including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets.

Net Patient Service Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Net patient service revenue and accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The Corporation is subject to retroactive revenue adjustments due to audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Adjustments to revenue related to prior periods, as a result of settled cost reports and changes in estimates, increased patient service revenue by $6,239 and decreased patient service revenue by $1,455 for the years ended September 30, 2008 and 2007, respectively.

2. Significant Accounting Policies (continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. However, management is not aware of any matters that could have a material effect on recorded estimates.

Revenue from the Medicare program represented approximately 32% and 27% of net patient service revenue for the years ended September 30, 2008 and 2007, respectively. Revenue from the contracts with other third parties represented approximately 47% and 55% of net patient service revenue for the years ended September 30, 2008 and 2007, respectively. The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. Significant concentrations of patient accounts receivable due from third-party payors at September 30, 2008 and 2007, respectively, include 15% and 15% from the Medicare program, and 48% and 50% from contracts with other third parties.

The provision for bad debts and allowance for uncollectible accounts are based upon management's assessment of historical and expected net collections and historical write-off experience by payor and aging category, considering the business and economic conditions, trends in health care coverage, and other collection indicators. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added.

Charity Care

The Corporation provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, these amounts are not included in patient service revenue. Charity care is measured based on established charges.

Premium Revenue

Commercial membership contracts are written to groups on a yearly basis subject to cancellation by the employer group or HFHP according to the termination provision of the contract. Medicare membership contracts are written to individuals and may be terminated by the member at any time. Premiums are due monthly and are recognized as revenue during the period in which the Corporation is obligated to provide services to members. Approximately 68% and 66% of total premium revenue was received under the Medicare program for the years ended September 30, 2008 and 2007, respectively, and 32% and 34%, respectively, was received from contracts with other employer groups.

2. Significant Accounting Policies (continued)

Claims Payable

Claims payable are recorded in accounts payable and accrued liabilities in the consolidated balance sheets and represent the amount of payments to be made on individual claims that have been reported to HFHP, as well as estimates of claims incurred that have not yet been reported as of the consolidated balance sheet date. Claims payable are estimated using various statistical methods that use both historical financial and operating data. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are reasonable. Adjustments to claims payable to reflect actual experience, if any, are reflected in the consolidated statements of operations and changes in net assets in the period in which such adjustments become known to management. Due to uncertainties inherent in the claims estimation process, it is at least reasonably possible that the claims paid in the near term could differ materially from the accrued amounts. Management believes that the recorded reserves are adequate.

The following table provides a reconciliation of the beginning and ending balances of unpaid claims liabilities included in accounts payable and accrued liabilities, net of reinsurance recoverables:

	September 30	
	2008	**2007**
Unpaid claim liabilities, at beginning of year	**$ 25,061**	$ 18,725
Incurred losses:		
Current period	**259,908**	244,261
Prior periods	**(2,193)**	(2,443)
Payments for claims, net of reinsurance:		
Current period	**(242,066)**	(219,302)
Prior periods	**(22,857)**	(16,180)
Unpaid claim liabilities, at end of year	**$ 17,851**	$ 25,061

2. Significant Accounting Policies (continued)

Medical Services Expense

HFHP contracts with various health care providers for the provision of certain medical care services to its members. Medical services consist partially of inpatient and outpatient hospital services, and pharmacy. Hospital services are paid on a fee-for-service, capitation, and fixed-rate basis. The provision for medical services includes estimates of payments to be made on health care services reported as of the consolidated balance sheet date and estimates of health care services rendered but not reported to HFHP as of the consolidated balance sheet date. Medical services reserves are reviewed and adjusted periodically. As adjustments are made, differences are included in current operations.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Functional Expenses

The Corporation does not present expense information by functional classification because its resources and activities are primarily related to providing health care services. Further, since the Corporation receives substantially all of its resources from providing health care services in a manner similar to a business enterprise, other indicators contained in the consolidated financial statements are considered important in evaluating how well management has discharged its stewardship responsibilities.

Income Taxes

The Corporation is generally exempt from federal and state income taxes applicable under Section 501(a), as organizations described in Section 501(c)(3), of the Internal Revenue Code and Section 220.13 of the Florida statutes, respectively. Effective October 1, 2000, the taxable entities, except CHP, file a consolidated return for both federal and state income tax purposes. The provision for income taxes and income taxes paid included in these consolidated financial statements is not significant.

2. Significant Accounting Policies (continued)

In June 2006, the Financial Accounting Standards Board (the FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes,* which clarifies the accounting for uncertainty in income tax positions recognized in financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Effective October 1, 2007, the Company adopted FIN 48. The adoption of FIN 48 did not have a material impact on the Company's consolidated financial position or results of operations.

Reclassifications

Certain reclassifications were made to the 2007 consolidated financial statements to conform to the classifications used in 2008. These reclassifications had no impact on the consolidated change in net assets previously reported.

3. Investments

Equity-Linked Notes

The Corporation uses medium-term, equity-linked notes with embedded derivatives as a protection against the risk of adverse movements in the equity indices. The equity-linked notes do not pay interest or dividends and do not guarantee a full return of principal at maturity. The Corporation has a protection clause against the first 15% to 20% decline in the S&P 500 Index. The notes will pay an amount based on the closing value of the S&P 500 Index at maturity. The Corporation's participation rate in any appreciation of the S&P 500 Index, at maturity, ranges from 111.56% to 132.10%. The notes have maturity dates of five to seven years from the issue date and are considered senior notes. The notes are classified as trading securities, and are recorded at fair value. All changes in fair value (both realized and unrealized gains and losses) are reflected within the performance indicator in the accompanying consolidated statements of operations and changes in net assets. The Corporation follows the provisions of AICPA Statement of Position (SOP) 02-2, *Accounting for Derivative Instruments and Hedging Activities by Not-for-Profit Health Care Organizations, and Clarification of the Performance Indicator*. SOP 02-2 requires not-for-profit health care organizations to apply the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, in the same manner as for-profit enterprises. Since the entire hybrid instrument is carried at fair value with changes in value included in earnings, SFAS No. 133 does not require separate accounting for any

3. Investments (continued)

embedded derivatives. During the years ended September 30, 2008 and 2007, unrealized (losses) gains due to changes in the fair value of equity-linked notes of $(53,033) and $14,088, respectively, are included in (deficiency) excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets.

The investment in equity-linked notes represents a significant concentration of market risk within the Corporation's investment portfolio. At September 30, 2008 and 2007, equity-linked notes represent approximately 47% and 44%, respectively, of total investments and assets limited as to use.

The composition of investments and assets limited as to use is presented below:

	September 30	
	2008	**2007**
Equity-linked notes	**$ 103,810**	$ 163,054
Equity securities	**36,533**	47,039
Government asset-backed securities	**24,432**	28,119
U.S. Treasury and agency obligations	**26,863**	27,808
U.S. corporate bonds	**12,309**	16,191
Cash and cash equivalents	**17,110**	88,133
	$ 221,057	$ 370,344

Unrestricted investment income is comprised of the following:

	September 30	
	2008	**2007**
Interest income	**$ 5,798**	$ 6,820
Other-than-temporary impairment loss	**(428)**	–
Realized (loss) gain on sales of securities	**(196)**	10,416
Unrealized (loss) gain on trading securities	**(2)**	638
	$ 5,172	$ 17,874

4. Assets Limited as to Use

Assets limited as to use are comprised of the following:

	September 30 2008	2007
Board designated for malpractice and other obligations	**$ 23,465**	$ 74,317
Cash and investments held by trustee under bond indenture agreements – for debt service	**12,707**	12,582
Due from The Cape Canaveral Hospital District (the District) for debt service	**2,258**	2,427
Board designated for the Foundation	**4,925**	5,127
	43,355	94,453
Less amounts required to meet current obligations	**(16,099)**	(16,582)
	$ 27,256	$ 77,871

5. Other Assets

The composition of other assets is as follows:

	September 30 2008	2007
Investment in joint ventures	**$ 14,209**	$ 13,763
Deferred financing cost	**4,107**	4,476
Other	**4,723**	5,264
	$ 23,039	$ 23,503

The Corporation accounts for its investments in joint ventures in accordance with Accounting Principles Board (APB) Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*. In accordance with APB Opinion No. 18, the Corporation records an investment in the net assets of the joint venture at cost, and adjusts the carrying amount of the investment to recognize the Corporation's share of the income or losses of the joint venture after the date of acquisition. The Corporation's share of income from joint ventures for the years ended September 30, 2008 and 2007, was $1,995 and $2,035, respectively.

6. Property and Equipment

A summary of property and equipment is as follows:

	September 30	
	2008	**2007**
Land and improvements	**$ 60,986**	$ 52,785
Buildings and improvements	**420,495**	375,673
Fixed and major movable equipment	**460,645**	455,280
	942,126	883,738
Less allowances for depreciation and amortization	**(497,163)**	(457,321)
	444,963	426,417
Construction in progress	**59,568**	34,758
	$ 504,531	$ 461,175

Construction in progress at September 30, 2008, represents costs incurred to date related to construction and renovation projects expected to be completed over the next five years. At September 30, 2008, the estimated cost to complete construction and renovation projects in progress is approximately $72,034, which will be funded principally from assets limited as to use and operations.

A summary of assets under capital lease obligations to the District included in property and equipment is as follows:

	September 30	
	2008	**2007**
Land and improvements	**$ 2,486**	$ 2,440
Buildings and improvements	**82,539**	74,347
Fixed and major movable equipment	**70,903**	68,248
	155,928	145,035
Less allowances for depreciation and amortization	**(89,078)**	(82,624)
	$ 66,850	$ 62,411

7. Long-Term Debt and Capital Lease Obligation

Long-term debt and capital lease obligations are as follows:

	September 30 2008	2007
Health Facilities Revenue Bonds, Series 2005, recorded net of a discount of $1,885 and $1,955, respectively	**$ 173,115**	$ 173,045
Health Facilities Refunding Revenue Bonds, Series 2003, recorded net of a discount of $21 and $25, respectively	**19,799**	22,030
Health Facilities Revenue Bonds, Series 2001, recorded net of a discount of $1,823 and $1,904, respectively	**71,107**	71,481
HRMC and PBCH Hospital Revenue Bonds, Series 1996, recorded net of a discount of $567 and $661, respectively	**39,033**	44,069
Capital lease obligation with the District (disclosed below)	**23,940**	23,940
Other	**9,858**	11,640
Total long-term debt	**336,852**	346,205
Less current maturities	**(9,194)**	(9,603)
	$ 327,658	$ 336,602

Maturities of long-term debt (excluding capital lease obligations) consist of the following:

Year ending September 30:	
2009	$ 9,194
2010	9,589
2011	9,994
2012	10,424
2013	10,799
Thereafter	267,209

A Master Trust Indenture, dated May 15, 2001, and modified in December 2005, covers all bonds issued and outstanding by the Parent, HRMC, and CCH (collectively, the Obligated Group) at September 30, 2008 and 2007. Under the Master Trust Indenture, all members of the Obligated Group are jointly and severally liable for the obligation covered by the Master Trust Indenture. HRMC has executed a mortgage on a portion of HRMC's property in favor of the Master Trustee. The mortgaged property has a carrying value of $216,527 to secure the

7. Long-Term Debt and Capital Lease Obligation (continued)

Obligated Group's repayment obligation under the Master Trust Indenture. In addition, all revenues of HRMC, PBH, and CCH are pledged as security for the payment of the obligations outstanding under the Master Trust Indenture.

The Master Trust Indenture provides for specific restrictive covenants, including a debt service coverage requirement. The Corporation was in compliance with all such restrictive covenants at September 30, 2008.

Capital Lease Obligation

The future minimum lease payments on capital lease obligations, including those pertaining to the District, by year and in the aggregate at September 30, 2008, are as follows:

Year ending September 30:	
2009	$ 1,257
2010	1,257
2011	1,257
2012	1,257
2013	1,257
Thereafter	35,184
	41,469
Less amounts representing interest	(17,529)
	$ 23,940

The District was created under the laws of the state of Florida on August 18, 1959, and includes a special tax district in Brevard County, Florida. The District leases the hospital facility and operating assets to CCH. CCH makes payments to the District sufficient to pay the principal and interest on the District's outstanding obligations. The assets and liabilities of CCH revert to the District upon completion of the lease term in 2036. The District may levy taxes upon all real and personal taxable property in the District, not to exceed 2.25 mills annually. The District did not levy taxes for either the years ended September 30, 2008 or 2007.

Interest expense approximates interest paid.

8. Employee Benefit Plans

Retirement Plan

The Corporation, excluding HFP, has a defined contribution plan covering substantially all employees. Under the plan, the Corporation contributes 2% of the eligible employees' gross wages. Eligible employees are allowed to contribute up to 100% of the eligible employees' gross wages not to exceed the maximum permissible standard deferral amount. This is in addition to any catch-up deferral amount for qualifying individuals. In addition to the 2% previously noted, the Corporation will match up to 8% of the employees' contribution at a 50% rate. As a result, a maximum 6% contribution may be made by the Corporation. Retirement plan expense was $11,262 and $10,276 for the years ended September 30, 2008 and 2007, respectively.

Employee Health Plan

The Corporation self-funded health benefits for substantially all employees, administered by HFHP. Employee health benefits expense was $24,386 and $23,792 for the years ended September 30, 2008 and 2007, respectively.

9. Malpractice Insurance Plan

The Corporation maintained insurance for malpractice coverage under claims-made policies at September 30, 2008 and 2007. A claims-made policy covers only malpractice claims reported to the insurance carrier during the policy term. Management has recorded a liability for estimated losses from reported and unreported claims of $18,719 and $18,772 at September 30, 2008 and 2007, respectively. Management, with the assistance of consulting actuaries, estimates claims liabilities at the present value of future claims payments using discount rates of 3.5% and 5% at September 30, 2008 and 2007, respectively. Medical malpractice expense of $8,482 and $8,492 for the years ended September 30, 2008 and 2007, respectively, is included in supplies and other expenses.

10. Commitments and Contingencies

Litigation

The Corporation is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results of operations.

On May 23, 2007, Wuesthoff Health System, Inc. (Wuesthoff) filed a lawsuit (the Complaint) in the Circuit Court for the Eighteenth Judicial Circuit in and for Brevard County, Florida (the "Court"), alleging seven counts of various antitrust violations by the Parent, HRMC, CCH, HFP, and HFHP (hereinafter collectively referred to as the Health First Group). Wuesthoff alleges, among other things, that the Health First Group has "impermissibly obtained market power in the general acute care in-patient hospital market, and managed care markets" in the central and south portion of Brevard County (the Market Area) as a result of the merger between HRMC and CCH in 1995 in violation of Section 7 of the Clayton Antitrust Act.

On May 15, 2007, Richard Hynes, M.D. and Brevard Orthopaedic, Spine & Pain Clinic, Inc. (Hynes) filed a lawsuit (the Complaint) in the Court, alleging twelve counts of various antitrust and other violations by Health First Group. Hynes is alleging almost identical acts as Wuesthoff does in its May 23, 2007 Complaint.

On February 21, 2008, the Health First Group filed its Answer and Affirmative Defenses with the Court and will continue to vigorously contest the allegations contained in the Complaints.

Although it is premature to assess the likely course or outcome of the litigation discussed above, if the outcome of the litigation is adverse to the Health First Group, the Health First Group could incur material liabilities for damages or other adverse financial consequences.

10. Commitments and Contingencies (continued)

Guarantees

The Corporation has guaranteed the promissory note payments of certain limited partnerships for which the Corporation is a partner. The term of the guarantee is equal to the term of the related promissory note, which expires in 2008. The guaranteed promissory note balance as of September 30, 2008 and 2007 is $5,955 and $6,218, respectively.

11. Fair Value of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets approximate their fair values.

Investments and assets limited as to use: These assets are reported at quoted market prices, if available, or estimated using quoted market prices for similar securities.

Long-term debt and capital lease obligation: The carrying value of the Corporation's variable rate obligations (consisting of Health Facilities Refunding Bonds, Series 2003, and other long term debt) approximate fair value. The fair value of the Corporation's fixed-rate obligations is determined using market rates. Market rates are estimated based on the quoted market prices for the outstanding debt. The carrying value and fair value of long-term debt and capital lease obligations at September 30, 2008 are $336,852 and $311,488, respectively. The carrying value and fair value of long-term debt and capital lease obligations at September 30, 2007 are $346,205 and $347,432, respectively.

12. Statutory Compliance

HFHP is required by Section 641.225(1) of the Florida statutes to maintain at all times a minimum surplus in an amount which is the greatest of $1,500, 10% of total liabilities, or 2% of total annualized premium revenue. In addition, Section 641.35(9) of the Florida statutes stipulates that the HFHP must maintain an amount equal to its required minimum surplus in coin or currency of the United States on hand or in the deposit in any solvent national or state bank, savings and loan association, or trust company, or in eligible securities or obligations. HFHP was in compliance with such requirements at September 30, 2008.

12. Statutory Compliance (continued)

The Florida Department of Financial Services Office of Insurance Regulation (the Department) limits distributions of earnings or equity transfers to no more than 10% of statutory surplus from accumulated earnings in any one year unless prior approval is received from the Department. In addition to this payment, and to the extent accumulated statutory surplus exceeds the required amount, HFHP may make distributions out of its entire preceding fiscal year's net operating profits. During the fiscal year ended September 30, 2008, HFHP distributed $4,513 of its preceding year's net operating income as permitted by the Department to its Parent. At September 30, 2008 and 2007, HFHP had $0 and $5,763, respectively, available for the payment of dividends without regulatory approval.

The state of Florida requires HFHP to maintain a deposit with the Department for uncovered claims relating to nonparticipating providers. At September 30, 2008 and 2007, HFHP maintained deposits of $2,893 and $2,745, respectively, with the Department, which are included in other assets in the accompanying consolidated balance sheets.

13. Subsequent Event

Subsequent to September 30, 2008, global markets have continued to experience unprecedented volatility, and a challenging business climate is forecast for the foreseeable future. Market conditions have resulted in a significant reduction in the Corporation's investment portfolio. Realized and unrealized losses have amounted to approximately $29,600 from October 1, 2008 to November 30, 2008 (latest information available).

APPENDIX C

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF HEALTH FIRST, INC.

Health First, Inc. and Subsidiaries

Unaudited Consolidated Financial Statements

Six Months Ended March 31, 2009 and 2008

Contents

Health First, Inc. and Subsidiaries

Consolidated Balance Sheets

	March 31, 2009	September 30, 2008
Assets	*(In Thousands)*	
Current assets:		
Cash and cash equivalents	**$ 73,015**	$ 77,215
Investments	**145,076**	177,702
Current portion of assets limited as to use	**10,718**	16,099
Accounts receivable, less allowance for uncollectible accounts of $37,119 in 2009 and $32,900 in 2008	**83,619**	73,845
Inventories	**12,072**	12,437
Prepaid expenses and other current assets	**18,687**	21,466
Total current assets	**343,187**	378,764
Assets limited as to use, less current portion	**27,362**	27,256
Other assets	**23,205**	23,039
Property and equipment, net	**528,395**	504,531
Total assets	**$ 922,149**	$ 933,590
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 116,296**	$ 116,790
Current portion of long-term debt and capital lease obligation	**26,685**	9,194
Total current liabilities	**142,981**	125,984
Long-term debt and capital lease obligation, less current portion	**312,387**	327,658
Other noncurrent liabilities	**23,765**	23,824
Total liabilities	**479,133**	477,466
Net assets:		
Unrestricted	**437,173**	447,790
Temporarily restricted	**5,843**	8,334
Total net assets	**443,016**	456,124
Total liabilities and net assets	**$ 922,149**	$ 933,590

See accompanying notes.

Health First, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
	(In Thousands)		*(In Thousands)*	
Unrestricted revenues, gains, and other support:				
Net patient service revenue	**$ 143,093**	$ 136,235	**$ 282,281**	$ 266,004
Premium revenue	**96,275**	90,821	**188,873**	177,814
Income from joint ventures	**441**	308	**741**	935
Other revenue	**7,605**	5,851	**13,460**	12,642
Total unrestricted revenues, gains, and other support	**247,414**	233,215	**485,355**	457,395
Expenses:				
Salaries and benefits	**85,803**	87,115	**174,180**	173,338
Supplies and other expenses	**61,348**	59,687	**122,840**	116,604
Medical service expense	**58,235**	53,824	**110,264**	101,646
Depreciation and amortization	**11,525**	11,468	**23,111**	22,676
Provision for bad debt	**13,324**	10,453	**25,592**	21,557
Interest	**3,265**	3,438	**6,715**	6,821
Total expenses	**233,500**	225,985	**462,702**	442,642
Income from operations	**13,914**	7,230	**22,653**	14,753
Nonoperating gains (losses)				
Investment income	**748**	1,799	**3,599**	3,745
Change in value of equity linked notes	**(3,986)**	(16,290)	**(24,949)**	(21,043)
Other	**–**	(1,900)	**(150)**	(1,900)
Total nonoperating losses	**(3,238)**	(16,391)	**(21,500)**	(19,198)
Excess (deficiency) of revenues, gains, and other support over expenses and losses	**10,676**	(9,161)	**1,153**	(4,445)

Continued on next page.

Health First, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	**2008**	**2009**	**2008**
	(In Thousands)		*(In Thousands)*	
Unrestricted net assets:				
Excess (deficiency) of revenues, gains, and other support over expenses and losses	**$ 10,676**	$ (9,161)	**$ 1,153**	$ (4,445)
Other changes in unrestricted net assets:				
Net unrealized losses on other than trading securities	**(2,669)**	(3,812)	**(12,078)**	(4,285)
Other	**–**	–	**308**	–
Increase (decrease) in unrestricted net assets	**8,007**	(12,973)	**(10,617)**	(8,730)
Temporarily restricted net assets:				
Net assets released from restrictions for operations	**(1,737)**	(229)	**(2,491)**	(515)
Decrease in temporarily restricted net assets	**(1,737)**	(229)	**(2,491)**	(515)
Increase (decrease) in net assets	**6,270**	(13,202)	**(13,108)**	(9,245)
Net assets, beginning of period	**436,747**	496,588	**456,124**	492,629
Net assets, end of period	**$ 443,017**	$ 483,386	**$ 443,016**	$ 483,384

See accompanying notes.

Health First, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Six Months Ended March 31,	
	2009	**2008**
	(In Thousands)	
Operating activities		
Decrease in net assets	**$ (13,108)**	$ (9,245)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Net unrealized losses on trading and other than trading securities	**11,367**	3,674
Change in value of equity-linked notes	**24,949**	21,043
Income from joint ventures	**(741)**	(935)
Depreciation and amortization	**23,111**	22,676
Provision for bad debt	**25,592**	21,557
Changes in operating assets and liabilities:		
Accounts receivable, net	**(35,366)**	(27,433)
Inventories	**365**	81
Other operating assets	**2,779**	7,907
Accounts payable and accrued liabilities	**(494)**	(7,674)
Other noncurrent operating liabilities	**(59)**	1,533
Net cash provided by operating activities	**38,395**	33,183
Investing activities		
(Increase) decrease in investments	**(3,690)**	26,090
Joint venture distributions	**575**	764
Decrease in assets limited as to use	**5,275**	13,862
Purchase of interest in joint venture	**(4,500)**	–
Purchases of property and equipment	**(42,475)**	(37,369)
Net cash (used in) provided by investing activities	**(44,815)**	3,347
Financing activities		
Proceeds from issuance of long-term debt, net of discount	**8,000**	–
Repayments of long-term debt and capital lease obligation	**(5,780)**	(6,284)
Net cash provided by (used in) financing activities	**2,220**	(6,284)
(Decrease) increase in cash and cash equivalents	**(4,200)**	30,246
Cash and cash equivalents, beginning of year	**77,215**	5,602
Cash and cash equivalents, end of year	**$ 73,015**	$ 35,848

See accompanying notes.

Health First, Inc. and Subsidiaries

Notes to Unaudited Consolidated Financial Statements

March 31, 2009
(In Thousands)

1. Reporting Entity

Health First, Inc. (Parent) is a tax-exempt parent holding company located in Brevard County, Florida, whose primary purpose is to direct the affairs of a multi-entity health care system which includes the following affiliates:

- Holmes Regional Medical Center, Inc. (HRMC) – a tax-exempt, 514-bed acute care hospital.
- Palm Bay Community Hospital (PBH) – a tax-exempt, 60-bed acute care hospital that is a division of HRMC.
- Pro Health Fitness Center (PH) – a tax exempt division of HRMC with four state-of-the-art health and fitness centers.
- Cape Canaveral Hospital, Inc. (CCH) – a tax-exempt, 150-bed acute care hospital and home health agency.
- Health First Health Plans, Inc. (HFHP) – a taxable entity providing various health care insurance services to employees of the Parent and other employers.
- Health First Physicians, Inc. (HFP) and Health First Medical Management, Inc. (HFMM) – taxable entities providing a system of primary care centers, as well as physician practice management services.
- Hospice of Health First, Inc. (HHF) – a tax-exempt entity that provides care for terminally ill individuals.
- Health First Foundation, Inc. (HFF) – a tax-exempt entity that performs philanthropic activities.
- Other affiliated organizations including Cape Health Properties, Inc. (CHP), Health First Holding Corp. (HFH), and Holmes Regional Enterprises, Inc. (HRE), Health First Family Pharmacy (HFFP), a division of HRMC, and taxable entities which manage health care related and/or other businesses and professional services.

The Parent is the sole member or owner of each of the above entities except CHP, a subsidiary of CCH, and controls the multi-entity structure through Board appointment and approval of all major transactions.

1. Reporting Entity (continued)

The accompanying unaudited consolidated financial statements include the accounts of the Parent and its controlled affiliates (referred to herein collectively, as the Corporation). All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the six months ended March 31, 2009, are not necessarily indicative of the results to be expected for the year ending September 30, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended September 30, 2008.

2. Significant Accounting Policies

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), which establishes a framework for measuring fair value in accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS 157 provides a framework for measuring fair value under existing accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Effective October 1, 2008, the Corporation adopted SFAS 157 for financial assets and financial liabilities recognized at fair value on a recurring basis. The adoption of SFAS 157 for financial assets and financial liabilities did not have a material impact on the consolidated financial position or results of operations of the Corporation. See note 3 for information and related disclosures regarding fair value measurements.

2. Significant Accounting Policies (continued)

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159), which, among other things, permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 as of October 1, 2008 did not impact the Corporation as the fair value option was not elected for any financial instruments.

Reclassifications

Certain reclassifications were made to the 2008 consolidated financial statements to conform to the classifications used in 2009. These reclassifications had no impact on the consolidated change in net assets previously reported.

3. Fair Value Measurements

Effective October 1, 2008, the Corporation adopted SFAS 157, which provides a framework for measuring fair value and expands disclosures about fair value measurements. The effective date of SFAS 157 was subsequently extended for nonfinancial assets and liabilities by FASB Staff Position FAS 157-2, *Effective Date of FASB Statement No. 157*; therefore, the Obligated Group will fully adopt all of the provisions of SFAS 157 effective October 1, 2009. As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

3. Fair Value Measurements (continued)

Certain of the Corporation's financial assets and financial liabilities are measured at fair value on a recurring basis, including money market, fixed income and equity instruments. The three levels of the fair value hierarchy defined by SFAS 157 and a description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Level 1 primarily consists of financial instruments such as money market securities, certain U.S. treasury and agency securities, U.S. corporate debt securities, and listed equity securities.

Level 2 – Pricing inputs other than quoted prices included in Level 1, which are either directly observable or that can be derived or supported from observable data as of the reporting date. Instruments in this category include certain equity linked notes and government asset-backed securities.

Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The Corporation has no financial assets or financial liabilities with significant Level 3 inputs.

The fair value of financial assets measured at fair value on a recurring basis was determined using the following inputs at March 31, 2009:

	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 17,861	$ 17,861	$ –	$ –
Trading securities	115,300	36,439	78,861	–
Other than trading securities	49,995	27,341	22,654	–
Total	$ 183,156	$ 81,641	$ 101,515	$ –

The fair values of the securities included in Level 1 were determined through quoted market prices, while the fair values of Level 2 securities were determined through discounted cash flow models and third party pricing models.

4. Equity-Linked Notes

As part of its investment strategy, the Corporation uses medium-term, equity-linked notes with embedded derivatives as a protection against the risk of adverse movements in the equity indices. The equity-linked notes do not pay interest or dividends and do not guarantee a full return of principal at maturity. The Corporation has a protection clause against the first 15% to 20% decline in the S&P 500 Index. The notes will pay an amount based on the closing value of the S&P 500 at maturity. The Corporation's participation rate in any appreciation of the S&P 500 Index, at maturity, ranges from 111.56% to 132.10%. The notes have maturity dates of five to seven years from the issue date and are considered senior notes. The notes are classified as trading securities, and are recorded at fair value. All changes in fair value (both realized and unrealized gains and losses) are reflected within the performance indicator in the accompanying consolidated statements of operations and changes in net assets. The Corporation follows the provisions of AICPA Statement of Position 02-2, *Accounting for Derivative Instruments and Hedging Activities by Not-for-Profit Health Care Organizations, and Clarification of the Performance Indicator* (SOP 02-2). SOP 02-2 requires not-for-profit health care organizations to apply the provisions of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), in the same manner as for-profit enterprises. Since the entire hybrid instrument is carried at fair value with changes in value included in earnings, SFAS 133 does not required separate accounting for any embedded derivatives.

The investment in equity-linked notes represents a significant concentration of market risk within the Corporation's investment portfolio. At March 31, 2009 and September 30, 2008, equity linked notes represent approximately 43% and 47%, respectively, of total investments and assets limited as to use.

5. Commitments and Contingencies

The Corporation is involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Corporation's future consolidated financial position or results from operations.

On May 23, 2007, Wuesthoff Health System, Inc. (Wuesthoff) filed a lawsuit (the Complaint) in the Circuit Court for the Eighteenth Judicial Circuit in and for Brevard County, Florida (the Court), alleging seven counts of various antitrust violations by Health First, Inc., Holmes

5. Commitments and Contingencies (continued)

Regional Medical Center, Inc., Cape Canaveral Hospital, Inc., Health First Physicians, Inc. and Health First Health Plans, Inc. (hereinafter collectively referred to as the Health First Group). Wuesthoff alleges, among other things, that the Health First Group has "impermissibly obtained market power in the general acute care in-patient hospital market, and managed care markets" in the central and south portion of Brevard County (the Market Area) as a result of the merger between Holmes Regional Medical Center, Inc. and Cape Canaveral Hospital, Inc. in 1995 in violation of Section 7 of the Clayton Antitrust Act.

On May 15, 2007, Richard Hynes, M.D. and Brevard Orthopaedic, Spine & Pain Clinic Inc. (Hynes) filed a lawsuit (the Complaint) in the Circuit Court for the Eighteenth Judicial Circuit in and for Brevard County, Florida (the Court), alleging twelve counts of various antitrust and other violations by Health First, Inc., Holmes Regional Medical Center, Inc., Cape Canaveral Hospital, Inc., Health First Physicians, Inc. and Health First Health Plans, Inc. (hereinafter collectively referred to as the Health First Group). Hynes is alleging almost identical acts as Wuesthoff does in its May 23, 2007 Amended Complaint.

On February 21, 2008, the Health First Group filed its Answer and Affirmative Defenses with the Court and will continue to vigorously contest the allegations contained in the Complaints.

Although it is premature to assess the likely course or outcome of the litigation discussed above, if the outcome of the litigation is adverse to the Health First Group, the Health First Group could incur material liabilities for damages or other adverse financial consequences.

APPENDIX D

DEFINITIONS AND EXCERPTED PROVISIONS OF THE MASTER INDENTURE

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ARTICLE I
DEFINITIONS AND OTHER PROVISIONS CONCERNING INTERPRETATION

SECTION 1.1 DEFINITIONS. For the purposes hereof unless the context otherwise indicates, the following words and phrases shall have the following meanings:

"2001 Mortgage" means the Mortgage and Security Agreement, dated as of May 15, 2001, between the Master Trustee and Health First, Inc., as Obligated Group Representative.

"Account Lien Amount" means the product of (x) 20% multiplied by (y) an amount equal to the Combined Group's accounts receivable (as shown on the Audited Financial Statements for the preceding Fiscal Year).

"Accounts" means the respective accounts of the Members of the Obligated Group, as accounts are defined in Section 679.106, Florida Statues, as amended.

"Additional Indebtedness" means any Indebtedness incurred by any Member of the Obligated Group subsequent to the issuance of Obligations No. 1, 1A, 2, 3, 4, 5, 6, 6A, 7, 8, 9, 9A, 10, 11 and 11A under the Master Indenture or incurred by any other Member of the Obligated Group subsequent to or contemporaneously with its becoming a Member of the Obligated Group or by any Member of the Combined Group subsequent to its becoming a Member of the Combined Group.

"Affiliate" means a corporation, partnership, joint venture, association, business trust or similar entity organized under the laws of the United States of America or any state thereof which is directly or indirectly controlled by a Person, by any other Affiliate or by any Person which directly or indirectly controls such Person or which directly or indirectly controls any other Affiliate; provided, however, that the term "Affiliate" shall not include The Cape Canaveral Hospital District. For purposes of this definition, control means the power to direct the management and policies of a Person through the ownership of not less than a majority of its voting securities or the right to designate or elect not less than a majority of the members of its board of directors or other governing board or body, by contract or otherwise.

"Audited Financial Statements" means, as to the Combined Group or any Member of the Combined Group, financial statements for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants.

"Authorized Representative" shall mean, with respect to any Member of the Obligated Group, the Chairperson of its Governing Body or its chief executive officer, its chief operating officer or chief financial officer or any other person or persons designated an Authorized Representative of a Member of the Obligated Group by an Officer's Certificate of such Member of the Obligated Group, respectively, signed by the Chairperson of its Governing Body or its chief executive officer or chief financial officer and filed with the Master Trustee.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness 20% or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date.

"Book Value" when used in connection with Property, Plant and Equipment or other Property of any Person, means the value of such property, net of accumulated depreciation, as it is carried on the books of such Person in conformity with generally accepted accounting principles, and when used in connection with Property, Plant and Equipment or other Property of the Obligated Group, means the aggregate of the values so determined with respect to such Property, Plant and Equipment or other Property of the Obligated Group determined in such a manner that no portion of such value of Property, Plant and Equipment or other Property is included more than once.

"Code" means the Internal Revenue Code of 1986, as amended, and all rules and regulations promulgated thereunder.

"Combined Group" means, collectively, the Members of the Combined Group.

"Completion Indebtedness" means any Long-Term Indebtedness incurred by any Member of the Combined Group for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of this Master Indenture, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Consultant" means a firm or firms which is not, and no member, stockholder, director, officer, trustee or employee of which is, an officer, director, trustee or employee of any Member of the Obligated Group or any Affiliate, and which is a professional consultant of national repute for having the skill and experience necessary to render the particular report required by the provision hereof in which such requirement appears and which is not unacceptable to the Master Trustee.

"Corporate Charter" means, with respect to any corporation, the articles of incorporation, certificate of incorporation, corporate charter or other organic document pursuant to which such corporation is organized and existing under the laws of the United States of America or any state thereof.

"Corporate Trust Office" means the office of the Master Trustee or its agent designated by the Master Trustee from time to time, which, until designated otherwise, shall be at the address set forth in Section 9.8 hereof.

"Credit Facility" means a municipal bond insurance policy, line of credit, letter of credit, standby bond purchase agreement or similar credit enhancement or liquidity facility provided by an insurer, bank or other financial institution or by the Obligated Group and established in connection with the issuance of indebtedness to provide credit or liquidity support for such indebtedness, or to serve as a surety in lieu of a debt service reserve fund under any Related Bond Indenture.

"Credit Facility Provider" means the provider of any Credit Facility.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the last date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding existing Indebtedness if the proceeds of such Cross-over Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or dates or maturity date of the Indebtedness to be refunded, and the earnings on such escrow deposit are required to be applied to pay interest on such Cross-over Refunding Indebtedness until the Cross-over Date.

"Defeasance Obligations" means, unless modified by the terms of a particular Supplement, (i) noncallable, nonprepayable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, (v) the obligations of (A) Federal Home Loan Mortgage Corp., (B) Farm Credit System, (C) Federal Home Loan Banks, (D) Federal National Mortgage Association, (E) Student Loan Marketing Association, (F) Financing Corp., (G) Resolution Funding Corp., and (H) U.S. Agency for International Development, and (vi) stripped securities where the principal-only and interest-only strips of noncallable obligations are issued by the U.S. Treasury or Resolution Funding Corp. securities stripped by the Federal Reserve Bank of New York.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers rated the highest rating by Standard & Poor's, Moody's or Fitch, respectively, provision for the payment of the principal of and interest on which shall have been made by irrevocable deposit with a trustee or escrow agent of (i) noncallable, nonprepayable Government Obligations or (ii) evidences of ownership of a proportionate interest in specified noncallable, nonprepayable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity as custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Defeased Obligations" means Obligations issued under a Supplement that have been discharged in accordance with Article VII of this Master Indenture, or provision for the discharge of which has been so made, pursuant to the terms of such Supplement.

"Derivative Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or charges or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Member of the Combined Group entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of Indebtedness, to convert any element of Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

"Derivative Indebtedness" means payments for which a Member of the Combined Group shall have become obligated under a Derivative Agreement excluding any termination payments under such Derivative Agreement.

"Derivative Period" means the period during which a Derivative Agreement is in effect.

"Escrowed Interest" means amounts of interest on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow, which deposit has been determined by a Consultant to be sufficient to pay such Escrowed Interest.

"Escrowed Principal" means amounts of principal on Long-Term Indebtedness for which moneys or Defeasance Obligations have been deposited in escrow, which deposit has been determined by a Consultant to be sufficient to pay such Escrowed Principal.

"Event of Default" means any one or more of those events set forth in Section 4.1 of this Master Indenture.

"Exposure to Guaranteed Debt" means, with respect to the period of time for which calculated, an amount equal to the sum of one hundred percent (100%) of the amount which would be payable as principal and interest on the indebtedness for which a Guaranty has been issued (calculated in the same manner as the Long-Term Debt Service Coverage Ratio); provided, however, that so long as (a) such Guaranty constitutes a contingent liability under generally accepted accounting principles; and (b) the guarantor has not been required, by reason of its Guaranty, to make any payment in respect of the guaranteed indebtedness within the immediately preceding twelve (12) months, only that percentage of the guaranteed indebtedness specified opposite the Long-Term Debt Service Coverage Ratios of the Person on whose behalf the Guaranty has been issued ("Guaranty Debtor") (or, in the case of a Guaranty Debtor whose operations and debt are not susceptible to the calculation of the Long-Term Debt Service Coverage Ratio as defined herein, a coverage ratio of income to Long-Term Indebtedness as close as possible to the Long-Term Debt Service Coverage Ratio) for the immediately preceding Fiscal Year, or for any other twelve (12) month period ending within 180 days prior to the date of calculation, as certified by the Guaranty Debtor shall constitute the Exposure to Guaranteed Debt:

Long-Term Debt Service Coverage Ratio of Guaranty Debtor	Percentage of guaranteed indebtedness of Guaranty Debtor
3.0:1 or above	0%
Greater than 2.0:1 but less than 3.0:1	10%
Less than 2.0:1	20%

"Fiscal Year" means the fiscal year of each Member of the Obligated Group, which shall be the period commencing on October 1 of any year and ending on September 30 of such year unless the Master Trustee is notified in writing by the Obligated Group Representative of a change in such period, in which case the Fiscal Year shall be the period set forth in such notice.

"Fitch" means Fitch Inc., its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Governing Body" means, when used with respect to any Member of the Combined Group, its board of directors, board of trustees, or other board or group of individuals by, or under the authority of which, corporate powers of such Member of the Obligated Group are exercised.

"Government Obligations" means direct obligations of, or obligations the payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, including interest strips of obligations issued by the Resolution Funding Corporation, but excluding unit investment trusts and mutual funds.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting any Member of the Combined Group and its health care facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by any Member of the Combined Group or (ii) the amount or timing of the receipt of such revenues.

"Guaranty" means any obligation of any Member of the Combined Group guaranteeing in any manner, directly or indirectly, any obligation of any Person that is not a Member of the Combined Group which obligation of such other Person would, if such obligation were the obligation of a Member of the Combined Group, constitute Indebtedness hereunder. For the purposes of this Master Indenture, the aggregate annual principal and interest payments on any indebtedness in respect of which any Member of the Combined Group shall have executed and delivered its Guaranty shall be determined in accordance with the Combined Group's Exposure to Guaranteed Debt.

"Holder" means an owner of any Obligation issued in other than bearer form.

"Income Available for Debt Service" means, with respect to the Combined Group, as to any period of 12 consecutive calendar months, (i) its excess of revenues (including interest earnings on restricted funds, and a sum equal to all gifts, grants, bequests, contributions and donations unrestricted as to their use received in the prior three Fiscal Years divided by three) over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied plus (ii) the Limited Obligor Income for each Limited Obligor; provided, however, with respect to (i) and (ii) above that (1) no determination thereof shall take into account any (a) gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business or (b) unrealized gains and losses on investments of any Member of the Combined Group, or (c) non-recurring, unanticipated gains or losses; provided, however, that in the case of losses, such losses shall be excluded only to the extent that Health First has unrestricted cash or short term investments sufficient to pay such loss which shall be certified in an Officer's Certificate, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal of or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

"Indebtedness" means (i) all indebtedness of Members of the Combined Group for borrowed money, (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by any Member of the Combined Group, (iii) all Guaranties, whether constituting Long-Term Indebtedness or Short-Term Indebtedness and (iv) Derivative Indebtedness. Indebtedness shall not include obligations of any Member of the Combined Group to another Member of the Combined Group. For purposes of the financial tests in this Master Indenture, obligations of the Members of the Combined Group under Guaranties shall be included within the term "Indebtedness" only to the extent of the Exposure to Guaranteed Debt.

"Initial Obligated Group" means, collectively, Health First, HRMC and CCH.

"Lease" means the Amended and Restated Lease, dated as of August 18, 1999 between The Cape Canaveral Hospital District and CCH, as amended and supplemented, pursuant to which CCH is leasing certain health care facilities from the District.

"Lien" means any Mortgage, deed of trust or pledge of, security interest in or encumbrance on any Property of any Member of the Combined Group which secures any Indebtedness or any other obligation of any Member of the Combined Group or which secures any obligation of any Person, other than an obligation to any Member of the Combined Group.

"Limited Obligor" shall mean any Person, other than a Member of the Combined Group, for whose account any Member of the Combined Group has either issued a Guaranty or provided Property and, in consideration thereof, such Person has executed and delivered to such Member of the Combined Group a Pledged Note.

"Limited Obligor Income" means with respect to each Limited Obligor, as to any period of 12 consecutive calendar months, the lesser of (i) the amount included in the Long-Term Debt Service Requirement relating to any Guaranty by a Member of the Combined Group of any indebtedness of the Limited Obligor or (ii) the Limited Obligor Income Available for Debt Service.

"Limited Obligor Income Available for Debt Service" means, with respect to any Limited Obligor, as to any period of 12 consecutive calendar months, its excess of revenues (including interest earnings on restricted funds, and a sum equal to all gifts, grants, bequests, contributions and donations unrestricted as to their use received in the prior three Fiscal Years divided by three) over expenses before depreciation, amortization and interest expense on Long-Term Indebtedness, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that (1) no determination thereof shall take into account any (a) gain or loss resulting from either the extinguishment of Indebtedness or the sale, exchange or other disposition of capital assets not made in the ordinary course of business or (b) unrealized gains and losses on investments of any Limited Obligor, or (c) non-recurring, unanticipated gains or losses; provided, however, that in the case of losses, such losses shall be excluded only to the extent that the Limited Obligor has unrestricted cash or short term investment sufficient to pay such loss which shall be certified in an Officer's Certificate, and (2) revenues shall not include earnings from the investment of Escrowed Interest or earnings constituting Escrowed Interest to the extent that such earnings are applied to the payment of principal of or interest on Long-Term Indebtedness which is excluded from the determination of Long-Term Debt Service Requirement or Related Bonds secured by such Long-Term Indebtedness.

"Long-Term Debt Service Coverage Ratio" means for any period of time the ratio determined by dividing (i) the Income Available for Debt Service by (ii) Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of 12 consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal and interest (whether or not separately stated) on Outstanding Long-Term Indebtedness of the Combined Group during such period, also taking into account:

(i) with respect to Balloon Long-Term Indebtedness which is not amortized by the terms thereof (a) the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of not to exceed thirty (30) years as determined by the Obligated Group Representative in an Officer's Certificate on a level debt service basis at an interest rate equal to the rate borne by such Indebtedness on the date calculated, except that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation or (b) principal payments or deposits with respect to Indebtedness secured by an irrevocable letter of credit issued by, or an irrevocable line of credit with, a bank rated in either of the three highest long-term rating categories or the two highest short-term rating categories, in each case without regard to gradations within such categories, from either Moody's, S&P or Fitch, or insured by an insurance policy issued by any insurance company rated at least "A" by Alfred

M. Best Company or its successors in Best's Insurance Reports or its successor publication, nominally due in the last Fiscal Year in which such Indebtedness matures may, at the option of the Member of the Obligated Group which issued such Indebtedness, be treated as if such principal payments or deposits were due as specified in any loan agreement issued in connection with such letter of credit, line of credit or insurance policy or pursuant to the repayment provisions of such letter of credit, line of credit or insurance policy, and interest on such Indebtedness after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or repayment provisions;

(ii) with respect to Long-Term Indebtedness which is Variable Rate Indebtedness the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness (and the incurrence thereof) the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above;

(iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement;

(iv) with respect to any Derivative Indebtedness, the interest on such Indebtedness during any Derivative Period, and for so long as the provider of the Derivative Agreement has not been terminated, shall be calculated by adding (x) the amount of interest payable by a Member of the Combined Group on such Derivative Indebtedness pursuant to its terms and (y) the amount of interest payable by such Member of the Combined Group under the Derivative Agreement, and subtracting (z) the amount of interest payable by the provider of the Derivative Agreement at the rate specified in the Derivative Agreement; provided, however, that from and after the termination of any Derivative Agreement, the amount of interest payable by the Member of the Combined Group shall be the interest calculated as if such Derivative Agreement had not been executed;

provided, however, that Escrowed Interest and Escrowed Principal shall be excluded from the determination of Long-Term Debt Service Requirement.

"Long-Term Indebtedness" means all Indebtedness having a maturity longer than one year incurred or assumed by any Member of the Combined Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year;

(iii) installment sale or conditional sale contracts having an original term in excess of one year;

(iv) Short-Term Indebtedness if a commitment by a financial lender exists to provide financing to retire such Short-Term Indebtedness, such commitment provides for the repayment

of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness and the Obligated Group shall have caused the Short-Term Indebtedness to be retired through a borrowing under such commitment; and

(v) the current portion of Long-Term Indebtedness.

"Master Indenture" means this Master Trust Indenture, including any amendments or supplements hereto.

"Master Trustee" means Wells Fargo Bank, N.A. (successor to SunTrust Bank), a national banking corporation duly organized under the laws of the United States and authorized to accept and administer the trusts created hereby, and its successors in the trusts created under this Master Indenture.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for any succeeding Fiscal Year.

"Member of the Obligated Group" means the Initial Obligated Group Members and any other Person becoming a Member of the Obligated Group pursuant to Section 3.11 hereof, but excluding any Person that has withdrawn from the Obligated Group pursuant to Section 3.12 hereof.

"Member of the Combined Group" means each Member of the Obligated Group and each Restricted Affiliate.

"Moody's" means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Mortgage" means any mortgage or security interest in, lien, charge or encumbrance on or pledge of property including, but not limited to, the 2001 Mortgage.

"Mortgaged Property" shall have the meaning set forth in any Mortgage.

"Net Revenues" means the excess of Revenues over Operating Expenses, excluding unrealized gains or losses on investments.

"Non-Operating Revenues" means non-operating revenues of each Member of the Obligated Group determined in accordance with generally accepted accounting principles.

"Non-Recourse Indebtedness" means any Indebtedness incurred to finance the purchase or improvement of Property secured exclusively by a Lien on or pledge of such Property or the revenues or net revenues produced by such Property or both, the liability for which is effectively limited to such Property or revenues subject to such Lien with no recourse, directly or indirectly, to any other Property or revenues of any Member of the Obligated Group.

"Obligated Group" means, collectively, the Members of the Obligated Group.

"Obligated Group Representative" means, initially, Health First, and thereafter any Person as may be designated pursuant to written notice to the Master Trustee executed by all of the Members of the Obligated Group.

"Obligation" means the evidence of particular Indebtedness issued under this Master Indenture as a joint and several obligation of each Member of the Obligated Group.

"Officer's Certificate" means a certificate signed by the Authorized Representative of such Member of the Obligated Group as the context requires.

Each Officer's Certificate presented pursuant to this Master Indenture shall state that it is being delivered pursuant to (and shall identify the section or subsection of), and shall incorporate by reference and use in all appropriate instances all terms defined in, this Master Indenture. Each Officer's Certificate shall state (i) that the terms thereof are in compliance with the requirements of the section or subsection pursuant to which such Officer's Certificate is delivered or shall state in reasonable detail the nature of any non-compliance and the steps being taken to remedy such non-compliance and (ii) that it is being delivered together with any opinions, schedules, statements or other documents required in connection therewith.

"Operating Assets" means any or all land, leasehold interests, buildings, machinery, equipment, hardware, and inventory owned or operated by each Member of the Combined Group and used in its respective trade or business, whether separately or together with other such assets, but not including cash, investment securities and other Property held for investment purposes.

"Operating Expenses" means the expenses of operating any Member of the Obligated Group excluding depreciation, amortization, provision for bad debt and interest expense, as determined in accordance with generally accepted accounting principles consistently applied.

"Opinion of Bond Counsel" means an opinion in writing signed by an attorney or firm of attorneys acceptable to the Obligated Group Representative and experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Obligated Group Representative, who may be counsel for any Member of the Obligated Group.

"Outstanding" when used with reference to Indebtedness or Obligations, means, as of any date of determination, all Indebtedness theretofore issued or incurred and not paid and discharged other than (i) Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation, (ii) Indebtedness deemed paid and no longer Outstanding under the documents pursuant to which such Indebtedness was incurred, (iii) Defeased Obligations and (iv) Obligations in lieu of which other Obligations have been authenticated and delivered or have been paid pursuant to the provisions of the Supplement regarding mutilated, destroyed, lost or stolen Obligations unless proof satisfactory to the Master Trustee has been received that any such Obligation is held by a bona fide purchaser; provided, however, that for purposes of determining whether the Holders of the requisite principal amount of Obligations have concurred in any demands, direction, request, notice, consent, waiver or other action under this Master Indenture, Obligations or Related Bonds that are owned by any Member of the Combined Group or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with such Member shall be deemed not to be Outstanding, provided further, however, that for the purposes of determining whether the Master Trustee shall be protected in relying on any such direction, consent, or waiver, only such Obligations or Related Bonds which the Master Trustee has actual notice or knowledge are so owned shall be deemed to be not Outstanding.

"Permitted Liens" shall have the meaning given in Section 3.5 hereof.

"Person" includes an individual, association, unincorporated organization, corporation, partnership, joint venture, business trust or a government or an agency or a political subdivision thereof, or any other entity.

"Pledged Note" means a promissory note executed by a Limited Obligor, as maker, in favor of a Member of the Obligated Group, as payee, evidencing a sum certain liability of such maker to such payee, which is assigned by such payee to the Master Trustee pursuant to Section 3.16 hereof.

"Property" means any and all rights, titles and interests in and to any and all property whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the Members of the Obligated Group which is property, plant and equipment under generally accepted accounting principles.

"Rating Agency" shall mean Moody's or S&P or Fitch or any other Rating Agency that has been requested by Health First or Member of the Obligated Group to assign a rating to particular Related Bonds.

"Related Bond Indenture" means any indenture, bond resolution or other comparable instrument pursuant to which a Series of Related Bonds is issued.

"Related Bond Issuer" means the issuer of any issue of Related Bonds.

"Related Bonds" means the revenue bonds or other obligations issued by any state, territory or possession of the United States or any municipal corporation or political subdivision formed under the laws thereof or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof ("governmental issuer"), pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to (i) a Member of the Obligated Group in consideration of the execution, authentication and delivery of an Obligation to or for the order of such governmental issuer, or (ii) any Person other than a Member of the Combined Group in consideration of the issuance to such governmental issuer (A) by such Person of any indebtedness or other obligation of such Person, and (B) by a Member of the Combined Group of a Guaranty in respect of such indebtedness or other obligation, which Guaranty is represented by an Obligation.

"Related Bond Trustee" means the trustee and its successors in the trusts created under any Related Bond Indenture.

"Restricted Affiliate" shall mean Health First Health Plans, Inc., Health First Physicians, Inc., Hospice of Health First, Inc., Cape Health Properties, Inc., Health First Holding Corp., Holmes Regional Enterprises, Inc., Health First Foundation, Inc., Health First Medical Management, Inc. and any other Affiliate of a Member of the Obligated Group that:

(1) is either (a) a governmental body, including, but not limited to, a special district, or (b) a non-stock membership corporation of which one or more Members of the Obligated Group are the sole members, or (c) a non-stock, non-membership corporation or a trust of which the sole beneficiaries or controlling Persons are one or more Members of the Obligated Group, or (d) a stock corporation the majority of the outstanding shares of stock of which are owned by one or more Members of the Combined Group, and

(2) (a) (i) the power to alter, amend or repeal the corporate charter or bylaws or other applicable organizational documents of such Affiliate, or to adopt new bylaws for such entity, will be reserved to the Member of the Obligated Group that is its sole member, beneficiary

or controlling person and (ii) the Member of the Obligated Group that is its sole member, beneficiary or controlling Person shall have the sole right to appoint and dismiss, with or without cause, the members of the board of directors of such Affiliate and

(b) has (i) the legal power, with approval of a majority of its Governing Body but without the consent of any other Person, to transfer to any Member of the Obligated Group unrestricted money required for the payment of Indebtedness of any Member of the Obligated Group, and (ii) the ability under applicable law and its organizational documents, with approval of a majority of the members of its Governing Body, to transfer all assets of such Affiliate remaining after payment of its debts to any Member of the Obligated Group provided that if such Affiliate is a Tax-Exempt Organization, then for so long as the applicable Member of the Obligated Group is a Tax-Exempt Organization, the organizational documents of such Affiliate and applicable law may (A) provide for the naming of another Member of the Obligated Group as a substitute beneficiary if the then current beneficiary ceases to be a Tax-Exempt Organization, and (B) prohibit transfers to organizations that are not Tax-Exempt Organizations, and

(3) has satisfied (or a predecessor has satisfied) the requirements set forth in this Master Indenture for becoming a Restricted Affiliate and has not thereafter ceased to satisfy the requirements of clauses (1) and (2) above or satisfied the requirements set forth in this Master Indenture for ceasing to be a Restricted Affiliate.

"Revenues" means all revenues, income, receipts and money (other than proceeds of borrowing) received in any period by or on behalf of any Member of the Obligated Group, including, but without limiting the generality of the foregoing, (a) revenues derived from any such Member's operations, (b) gifts, grants, bequests, donations and contributions and the income therefrom, exclusive of any gifts, grants, bequests, donations and contributions and the income therefrom to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Obligations, (c) proceeds derived from (i) insurance, except to the extent otherwise required by this Master Indenture, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital insurance, indemnity or reimbursement programs or agreements and (vi) contract rights and other rights and assets now or hereafter owned, held or possessed by each Member of the Obligated Group, and (d) rentals received from the leasing of real or tangible personal property.

"Revenues Account" means the account established by the Master Indenture upon the occurrence of any event of default under Section 4.1(a) hereof.

"S&P" or **"Standard & Poor's"** means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Obligated Group Representative by notice to the Master Trustee.

"Short-Term Indebtedness" means all Indebtedness having a maturity of one year or less, other than the current portion of Long-Term Indebtedness, incurred or assumed by any Member of the Combined Group, including:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

"Subordinated Debt" means Indebtedness or other obligations (which may include the obligation to make termination payments under a Derivative Agreement) which is specifically subordinated to the payment of principal and interest on all Obligations not constituting Subordinated Debt. Subordinated Debt may be issued in the form of an Obligation so long as it is designated "Subordinate Debt" and is specifically subordinated to the payment of principal and interest on all Obligations not constituting Subordinated Debt.

"Supplement" means an indenture supplemental to, and authorized and executed pursuant to the terms of, this Master Indenture.

"Tax-Exempt Organization" means a Person organized under the laws of the United States of America or any state thereof which is a governmental unit or (i) an organization described in Section 501(c)(3) of the Code or is treated as an organization described in Section 501(c)(3) of the Code and (ii) exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Total Operating Revenues" means, with respect to the Obligated Group, as to any period of time, total operating revenues less all deductions from revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Total Revenues" means, with respect to the Obligated Group, as to any period of time, Total Operating Revenues plus Non-Operating Revenues.

"Transaction Test" means, for purposes of any consolidation, merger, sale or conveyance under Section 3.9 hereof (a "Merger"), a party becoming a Member of the Obligated Group under Section 3.11 hereof (an "Admission"), a withdrawal from the Obligated Group under Section 3.12 hereof (a "Withdrawal"), the designation of a Restricted Affiliate under Section 3.14 hereof (a "Designation"), or the release of a Restricted Affiliate under Section 3.15 hereof (a "Release"), any of the following: (A) an Officer's Certificate of the Obligated Group Representative demonstrating that either of the conditions described in Section 3.6(a)(i) or (ii) hereof have been satisfied for the issuance of an additional one dollar ($1.00) of Additional Indebtedness, assuming such Merger, Admission, Withdrawal, Designation or Release, as applicable had occurred at the beginning of the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available, and (B) an Officer's Certificate of the Obligated Group Representative demonstrating that the unrestricted net assets (or excess of assets over liabilities, as the case may be) of the Obligated Group after giving effect to said Merger, Admission, Withdrawal, Designation or Release, as applicable is not less than 90% of the unrestricted net assets (or excess of assets over liabilities, as the case may be) of the Obligated Group prior to such Merger, Admission, Withdrawal, Designation or Release, as applicable, as reflected in the most recent Audited Financial Statements.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which has not been established at a fixed or constant rate to maturity.

ARTICLE II
INDEBTEDNESS, AUTHORIZATION, ISSUANCE AND TERMS OF OBLIGATIONS

SECTION 2.1 AMOUNT OF INDEBTEDNESS. Subject to the terms, limitations and conditions established in this Master Indenture, each Member of the Obligated Group may incur Indebtedness by issuing Obligations hereunder or by creating Indebtedness under any other document. The principal amount of Indebtedness created under other documents and the number and principal amount of Obligations evidencing Indebtedness that may be created hereunder may be limited by the provisions hereof, including Section 3.6, or of any Supplement.

SECTION 2.3 APPOINTMENT OF OBLIGATED GROUP REPRESENTATIVE. Each Member of the Obligated Group, by becoming a Member of the Obligated Group, irrevocably appoints the Obligated Group Representative as its agent and true and lawful attorney in fact and grants to the Obligated Group Representative (a) full and exclusive power to execute Supplements authorizing the issuance of Obligations or Series of Obligations, (b) full power to execute Obligations for and on behalf of the Obligated Group and each Member of the Obligated Group, (c) full power to execute Supplements on behalf of the Obligated Group pursuant to Sections 6.1 and 6.2 hereof and (d) full power to prepare, or authorize the preparation of, any and all documents, certificates or disclosure materials reasonably and ordinarily prepared in connection with the issuance of Obligations hereunder, or Related Bonds associated therewith, and to execute and deliver such items to the appropriate parties in connection therewith.

SECTION 2.6 CONDITIONS TO ISSUANCE OF OBLIGATIONS HEREUNDER. With respect to Indebtedness created hereunder, simultaneously with or prior to the execution, authentication and delivery of Obligations evidencing such Indebtedness pursuant to this Master Indenture:

(a) All requirements and conditions to the issuance of such Obligations, if any, set forth in the Supplement or in this Master Indenture shall have been complied with and satisfied, as provided in an Officer's Certificate of the Obligated Group Representative, a certified copy of which shall be delivered to the Master Trustee;

(b) The issuer of such Obligations shall have delivered to the Master Trustee an Opinion of Counsel to the effect that (1) registration of such Obligations under the Securities Act of 1933, as amended, and qualification of this Master Indenture or the Supplement under the Trust Indenture Act of 1939, as amended, is not required, or, if such registration or qualification is required, that all applicable registration and qualification provisions of said acts have been complied with, and (2) the Master Indenture and the Obligations are valid, binding and enforceable obligations of the Members of the Obligated Group in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, fraudulent conveyance and other laws affecting creditors' rights generally and usual equity principles; and

(c) The Obligated Group Representative shall have delivered to the Master Trustee an Officer's Certificate stating that, to the best of the knowledge of the signer thereof, each of the Persons who is to be a Holder of such Obligation upon the original issuance thereof is not acquiring the interest represented by such Obligation directly or indirectly with the assets of, or in connection with any arrangement or understanding by it in any way involving, any employee benefit plan with respect to which (i) any employee of any Member of the Obligated Group or the Master Trustee, in its individual capacity, is a participant or (ii) any Member of the Obligated Group or the Master Trustee, in its

individual capacity, or any of their affiliates is otherwise a party in interest, all within the meaning of the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE III
PARTICULAR COVENANTS OF THE OBLIGATED GROUP

SECTION 3.1 SECURITY; PAYMENT OF PRINCIPAL AND INTEREST.

(a) All Obligations issued pursuant to this Master Indenture shall be a general obligation of the issuer of such Obligation.

To secure the prompt payment of the principal of, redemption premium, if any, and the interest on the Obligations and the performance by each Member of the Obligated Group of its other obligations, hereunder, each Member of the Obligated Group hereby pledges, assigns and grants to the Master Trustee a security interest in its Revenues and the Mortgaged Property. Any Member of the Obligated Group may sell accounts receivable, or incur Indebtedness secured by, all or any part of its accounts receivable free of such security interest, only to the extent permitted by the provisions of Sections 3.6, 3.8 and 3.9 of this Master Indenture or any Supplement. In the event of such sale or incurrence of Indebtedness, upon request of a Member of the Obligated Group, the Master Trustee shall execute a release of its security interest with respect to the accounts receivable so sold or pledged as security for such Indebtedness.

Each Member of the Obligated Group shall also execute and deliver to the Master Trustee from time to time such amendments or supplements to this Master Indenture as may be necessary or appropriate to include as security hereunder the Revenues in addition to the requirements of Section 3.11 of this Master Indenture. In addition, each Member of the Obligated Group covenants that it will prepare and file such financing statements or amendments to or terminations of existing financing statements which shall, in the Opinion of Counsel, be necessary to comply with applicable law or as required due to changes in the Obligated Group, including, without limitation, (i) any Person becoming a Member of the Obligated Group pursuant to Section 3.11 of this Master Indenture, or (ii) any Member of the Obligated Group ceasing to be a Member of the Obligated Group pursuant to Section 3.12 of this Master Indenture. In particular, each Member of the Obligated Group covenants that it will, at least ninety (90) days prior to the expiration of any financing statement, prepare and file such continuation statements of existing financing statement as shall, in the Opinion of Counsel, be necessary to comply with applicable law and shall provide to the Master Trustee written notice of such filing. If the Master Trustee shall not have received such notice at least ninety (90) days prior to the expiration date of any such financing statement, the Master Trustee shall prepare and file or cause each Member of the Obligated Group to prepare and file such continuation statements in a timely manner to assure that the security interest in Revenues shall remain perfected.

(b) The Members of the Obligated Group hereby further covenant that if an event of default of the type described in Section 4.1(a) hereof shall occur and be continuing, and any grace period applicable thereto shall have expired, any Revenues then received and any Revenues thereafter received, shall not be commingled or deposited but shall immediately, or upon receipt, be transferred by the Members of the Obligated Group on a daily basis to the Master Trustee and deposited into the Revenues Account as provided below. Such daily deposits shall continue until such event of default described in the preceding sentence has been cured. Any such proceeds on deposit with the Master Trustee shall be disbursed by the Master Trustee pursuant to the provisions of Section 4.4 hereof and as provided below.

The Master Trustee is hereby authorized and directed to establish a Revenues Account, or Accounts, into which there shall be deposited upon the occurrence of any event of default under Section 4.1(a) of this Master Indenture, upon receipt by the Master Trustee, any and all Revenues of the Obligated

Group. Upon the occurrence of an event that requires the funding of the Revenues Account, the Obligated Group and the Master Trustee hereby covenant to take all action necessary to insure that all such Revenues are deposited into the Revenues Account including, but not limited to, depositing directly all payments received and directing all debtors of the Obligated Group to make all payments due to the Obligated Group Members into the Revenues Account. The Revenues Account shall become subject to the lien of this Master Indenture in favor of the holders of all Obligations. Amounts on deposit in such Account shall be transferred to the payment of debt service on all Obligations due and past due and shall otherwise be applied by the Obligated Group for its purposes until the Master Trustee gives written notice to the Obligated Group of the exercise of remedies under the Master Indenture as a secured party and the Master Trustee enforces its rights and interest in and to such Account and the amounts on deposit therein. The Master Trustee is hereby authorized to take such self-help and other measures that a secured party is entitled to take under the Florida Uniform Commercial Code. Upon a cure or waiver of the event of default, which requires the funding of such Account, the Master Trustee shall transfer the amounts on deposit in the Revenues Account to or at the direction of the Obligated Group Representative.

(c) Each Member of the Obligated Group covenants that it will not pledge or grant a security interest in any of its Property, except as may be otherwise provided in this Master Indenture or any Supplement.

(d) Except as provided in clause (a) above, each Obligation shall be a joint and several general obligation of each Member of the Obligated Group. Each Member of the Obligated Group covenants to promptly pay or cause to be paid the principal of, premium, if any, and interest on each Obligation issued pursuant to this Master Indenture at the place, on the dates and in the manner provided in this Master Indenture and in said Obligation according to the terms thereof whether at maturity, upon proceedings for redemption, by acceleration or otherwise.

SECTION 3.2 COVENANTS AS TO CORPORATE EXISTENCE, MAINTENANCE OF PROPERTIES, ETC. Each Member of the Obligated Group hereby covenants:

(a) Except as otherwise expressly provided herein, to preserve its corporate or other legal existence and all its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualifications; provided, however, that nothing herein contained shall be construed to obligate it to retain or preserve any of its rights or licenses, no longer used or, in the judgment of its Governing Body, no longer useful in the conduct of its business.

(b) At all times to cause its Property to be maintained, preserved and kept in good repair, working order and condition and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any portion of its Property, if in its judgment it is advisable not to operate the same, or if it intends to sell or otherwise dispose of the same and within a reasonable time endeavors to effect such sale or other disposition, or (ii) to obligate it to retain, preserve, repair, renew or replace any Property, leases, rights, privileges or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business and operations in such manner as to comply with any and all applicable laws of the United States and the several states thereof and duly observe and conform to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business and the ownership of its Properties; provided, nevertheless, that nothing herein contained shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property; provided, however, that it shall have the right to contest in good faith any such taxes, charges or assessments or the collection of any such sums and pending such contest may delay or defer payment thereof.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable, other than any thereof (exclusive of the Obligations created and Outstanding hereunder) whose validity, amount or collectibility is being contested in good faith.

(f) At all times to comply with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness.

(g) To procure and maintain all necessary licenses and permits and maintain accreditation of its health care facilities by the Joint Commission on Accreditation of Healthcare Organizations or other applicable recognized accrediting body; provided, however, that it need not comply with this Section 3.2(g) if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) So long as this Master Indenture shall remain in force and effect, each Member of the Obligated Group which is a Tax-Exempt Organization at the time it becomes a Member of the Obligated Group agrees that, so long as all amounts due or to become due on any Related Bond have not been fully paid to the holder thereof, it agrees not to take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax-Exempt Organization, which, or fail to take any action which failure, in the Opinion of Bond Counsel, would result in the interest on any Related Bond becoming included in the gross income of the holder thereof for federal income tax purposes.

SECTION 3.3 INSURANCE. Each Member of the Obligated Group agrees that it will maintain, or cause to be maintained, insurance (including one or more self-insurance programs considered to be adequate) covering such risks, in such amounts and with such deductibles and co-insurance provisions as, in the judgment of the Obligated Group Representative are adequate to protect it and its Property and operations.

SECTION 3.4 INSURANCE AND CONDEMNATION PROCEEDS.

(a) Amounts that do not exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards may be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Indebtedness in accordance with the terms thereof and of any pertinent Supplement.

(b) Amounts that exceed 20% of the Book Value of the Property, Plant and Equipment of the Obligated Group received by any Member of the Obligated Group as insurance proceeds with respect to any casualty loss or as condemnation awards shall be applied to repair or replace the Property (either Property serving the same function or other Property that, in the judgment of the Governing Body, is of equal usefulness) to which such proceeds relate or to the payment or prepayment of Indebtedness in accordance with the terms thereof and of any pertinent Supplement; provided, however, that such amounts may be used in such manner as the recipient may determine if the recipient notifies the Master Trustee and within 12 months after the casualty loss or taking, delivers to the Master Trustee:

(i) (A) An Officer's Certificate of the Obligated Group Representative certifying the forecasted Long-Term Debt Service Coverage Ratio for each of the two periods of 12 full consecutive calendar months following the date on which such proceeds or awards are forecasted to have been fully applied, which Long-Term Debt Service Coverage Ratio for each such period is not less than 1.10, as shown by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions including assumptions as to the use of such proceeds or awards, upon which such pro forma statements are based; and (B) if the amount of such proceeds or awards received with respect to any casualty loss or condemnation exceeds 30% of the Book Value of the Property, Plant and Equipment of the Obligated Group, a written report of a Consultant confirming such certification; or

(ii) A written report of a Consultant stating the Consultant's recommendations, including recommendations as to the use of such proceeds or awards, to cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (i) of this section to be not less than 1.10, or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest practicable level.

Each Member of the Obligated Group agrees that it will use such proceeds or awards, to the extent permitted by law, only in accordance with the assumptions described in subsection (i), or the recommendations described in subsection (ii), of this section.

SECTION 3.5 LIMITATIONS ON CREATION OF LIENS; PERMITTED LIENS.

(a) Each Member of the Obligated Group agrees that it will not create or suffer to be created or permit the existence of any Lien on Property now owned or hereafter acquired by it, other than Permitted Liens.

(b) Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits with any Member of the Combined Group in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Member of the Combined Group to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Member of the Combined Group to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against any Member of the Combined Group so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property; (B) any liens on any Property for taxes, assessments, levies, fees, water and sewer, rents, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection

with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the value thereof; (D) to the extent that it affects title to any Property, this Master Indenture; and (E) landlord's liens.

(v) Any Lien which is existing on the date of authentication and delivery of the initial Obligation issued under this Master Indenture provided that no such Lien may be increased, extended, renewed or modified to apply to any Property of any Member of the Combined Group not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Lien securing Non-Recourse Indebtedness permitted by Section 3.6(e) hereof;

(vii) Any Lien on Property acquired by a Member of the Combined Group if the indebtedness secured by the Lien is Additional Indebtedness permitted under the provisions of Section 3.6 hereof, and if an Officer's Certificate is delivered to the Master Trustee certifying that (A) the Lien and the indebtedness secured thereby were created and incurred by a Person other than the Member of the Combined Group, and, (B) the Lien was not created for the purpose of enabling the Member of the Combined Group to avoid the limitations hereof on creation of Liens on Property of the Combined Group;

(viii) Any Lien on Property (other than accounts receivable) in an aggregate amount not exceeding 15% of the Book Value of all Property (other than accounts receivable);

(ix) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(x) Any Lien securing all Obligations on a parity basis;

(xi) Any Liens subordinate to the Lien described in clause (x) of this subsection required by a statute under which a Related Bond is issued;

(xii) Liens on moneys deposited by patients or others with any Member of the Combined Group as security for or as prepayment for the cost of patient care;

(xiii) Liens on Property received by any Member of the Combined Group through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(xiv) Liens on Property due to rights of third party payors for recoupment of amounts paid to any Member of the Combined Group;

(xv) Rights of the United States of America under Title 42 United States Code Section 291;

(xvi) Any Lien on accounts receivable and the proceeds thereof if such Lien is given or made in connection with a sale, pledge, assignment or transfer permitted by the provisions of subsection Section 3.6(j) or subsection Section 3.8(b) hereof;

(xvii) Any Lien on the unrestricted funds of a Member of the Combined Group if such Lien is given or made in connection with the investment of such unrestricted funds by such Member of the Combined Group;

(xviii) Liens in favor of another Member of the Combined Group;

(xix) Liens created to secure capitated insurance contracts and risk-sharing arrangements with insurers, physician groups and other parties; or

(xx) The Liens created by the Lease and the 2001 Mortgage, including any Lien on the Mortgaged Property as of the effective date of the 2001 Mortgage..

SECTION 3.6 LIMITATIONS ON INDEBTEDNESS. Each Member of the Obligated Group covenants and agrees that it will not incur any Additional Indebtedness if, after giving effect to all other Indebtedness incurred by the Obligated Group, such Indebtedness could not be incurred pursuant to one of subsections (a) to (j), inclusive, of this Section 3.6. Any Indebtedness may be incurred only in the manner and pursuant to the terms set forth in such subsections. Each Member of the Obligated Group further covenants and agrees that it will not incur any Additional Indebtedness without the written consent of the Obligated Group Representative.

(a) Long-Term Indebtedness may be incurred if prior to incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee:

(i) An Officer's Certificate of the Obligated Group Representative certifying that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 full consecutive calendar months preceding the date of delivery of the certificate of the Obligated Group Representative for which there are Audited Financial Statements available taking all Long-Term Indebtedness incurred after such period and the proposed Long-Term Indebtedness into account as if such Long-Term Indebtedness had been incurred at the beginning of such period, is not less than 1.20; or

(ii) (A) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the period mentioned in subsection (a)(i) of this Section 3.6, excluding the proposed Long-Term Indebtedness, is at least 1.10 and (B) a certificate of a Consultant (or, in the case of a Long-Term Debt Service Coverage Ratio greater than 1.50, a certificate of the Obligated Group Representative) demonstrating that the forecasted Long-Term Debt Service Coverage Ratio is not less than 1.20 for (x) in the case of Long-Term Indebtedness (other than a Guaranty) to finance capital improvements, each of the two full Fiscal Years succeeding the date on which such capital improvements are forecasted to be in operation or (y) in the case of Long-Term Indebtedness not financing capital improvements or in the case of a Guaranty, each of the two full Fiscal Years succeeding the date on which the Indebtedness is incurred, as shown by pro forma financial statements for the Combined Group for each such period, accompanied by a statement of the relevant assumptions upon which such pro forma financial statements for the Combined Group are based; provided, however, that if a report of a Consultant states that Governmental Restrictions have been imposed which make it impossible for the coverage requirements of this subsection to be met, then such coverage requirements shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00.

(b) In addition to, and not in lieu of, Long-Term Indebtedness permitted to be incurred under subsection 3.6(a) above, Long-Term Indebtedness may be incurred provided that immediately after giving effect to any Long-Term Indebtedness incurred pursuant to this subsection 3.6(b) and Short-Term Indebtedness, the aggregate of Long-Term Indebtedness incurred under this subsection 3.6(b) shall not exceed 35% of Total Revenues as reflected in the most recent Audited Financial Statements; provided, further, that the aggregate of the principal amount of Indebtedness Outstanding under this subsection 3.6(b) and subsection 3.6(d) shall not at any time exceed 35% of Total Revenues as reflected in the most recent Audited Financial Statements.

(c) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness if, prior to the incurrence of such Long-Term Indebtedness, (i) if the Long-Term Indebtedness to be incurred does not constitute Cross-over Refunding Indebtedness there is delivered to the Master Trustee (A) an Officer's Certificate of the Obligated Group Representative demonstrating that Maximum Annual Debt Service will not increase by more than 10% after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof and (B) an Opinion of Counsel stating that upon the incurrence of such Proposed Long-Term Indebtedness and application of the proceeds thereof, the Outstanding Long-Term Indebtedness to be refunded thereby will no longer be Outstanding; or (ii), if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Master Trustee a certificate of the Obligated Group Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the Related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt Service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than 10%.

(d) (i) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed 20% of Total Revenues as reflected in the financial statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available; provided, that the aggregate of the principal amount of Indebtedness Outstanding under this subsection 3.6(d)(i) and subsection 3.6(b) shall not at any time exceed 35% of Total Revenues as reflected in the Audited Financial Statements of the Obligated Group for the most recent period of twelve consecutive months for which Audited Financial Statements are available.

(ii) Short-Term Indebtedness may also be incurred if the tests set forth in Sections 3.6(a)(i) or 3.6(a)(ii) are met with respect to the incurrence of such Short-Term Indebtedness. For the purpose of calculating compliance with the tests set forth in Sections 3.6(a)(i) or 3.6(a)(ii), the Short-Term Indebtedness to be incurred pursuant to this Section 3.6(d)(ii) shall be treated as Long-Term Indebtedness. For purposes of this Section 3.6(d) a Guaranty of Short-Term Indebtedness shall be treated in the manner described in the definitions of "Guaranty" and "Exposure to Guaranteed Debt" herein. For the purpose of calculating compliance with the tests set forth in this subsection 3.6(d), Short-Term Indebtedness shall not be taken into account except to the extent provided in subsection 3.6(i) hereof.

(e) Non-Recourse Indebtedness may be incurred without limit.

(f) Completion Indebtedness may be incurred in an amount not exceeding 20% of the principal amount of the Indebtedness issued to finance a project; provided, however, that prior to the incurrence of Completion Indebtedness, the Obligated Group Representative shall furnish to the Master Trustee and the Credit Facility Provider, if any: a certificate of an architect estimating the costs of completing the facilities for which Completion Indebtedness is to be incurred; an Officer's Certificate of the Chief Financial Officer of the Member of the Obligated Group for which Completion Indebtedness is

to be incurred certifying that the amount of Completion Indebtedness to be incurred will be sufficient, together with other funds, if applicable, to complete construction of the facilities in respect of which Completion Indebtedness is to be incurred; and a certificate from a Consultant to the effect that the Long-Term Indebtedness originally incurred to finance the costs of the construction of the facilities in respect of which Completion Indebtedness is to be incurred was estimated prior to the date of incurrence of the original Long-Term Indebtedness to be sufficient, together with other funds, if applicable, to complete the construction of such facilities, but due to certain factors enumerated in the certificate the costs of constructing such facilities exceeded the amount of the original Indebtedness plus other funds, if applicable. Completion Indebtedness may be incurred in an amount exceeding 20% of the principal amount of the Indebtedness issued to finance a project if, in addition to the above-described requirements, the requirements of Section 3.6(a) hereof are met.

(g) Subordinated Debt may be incurred without limit.

(h) Indebtedness under a Credit Facility (including a Guaranty of indebtedness under a Credit Facility) may be incurred without limit.

(i) Derivative Indebtedness may be incurred without limit.

(j) Indebtedness secured by accounts receivable may be incurred in any amount not exceeding 10% of the aggregate sale price of such accounts receivable if prior to the incurrence of such Indebtedness there is (i) delivered to the Master Trustee an Officer's Certificate of an Obligated Group Representative certifying that immediately after the incurrence of such Indebtedness, the amount of accounts receivable that have been pledged to secure Indebtedness that has been issued pursuant to this subsection (j) and is then Outstanding will not exceed the difference between (A) the Account Lien Amount and (B) the amount of accounts receivable that have been and are then pledged pursuant to this section or have been sold pursuant to Section 3.8(b)(ii) in such Fiscal Year, and (ii) the consent of all Credit Facility Providers has been obtained (which consent cannot be unreasonably withheld); provided, however, that (I) the determination of whether a disposition of accounts receivable is a sale or loan shall be made in accordance with generally accepted accounting principles and (II) at any time that the outstanding principal amount of such Indebtedness is greater than the fair market value of the accounts receivable pledged to secure such Indebtedness, the excess amount shall be treated as Short-Term Indebtedness for the purposes of the tests set forth in subsection 3.6(d) hereof.

Indebtedness incurred pursuant to any one of subsections (b), (d)(i) or (d)(ii) of this Section 3.6 may be reclassified as indebtedness incurred pursuant to any other of such subsections if the tests set forth in the subsection to which such Indebtedness is to be reclassified are met at the time of such reclassification.

Indebtedness containing a "put" or "tender" provision pursuant to which the holder of such Indebtedness may require that such Indebtedness be purchased prior to its maturity shall not be considered Balloon Long-Term Indebtedness, solely by reason of such "put" or "tender" provision, and the put or tender provision shall not be taken into account in testing compliance with any debt incurrence test pursuant to this Section 3.6.

SECTION 3.7 LONG-TERM DEBT SERVICE COVERAGE RATIO; RATE COVENANT.

(a) Each Member of the Obligated Group covenants to set rates and charges for its facilities, services and products such that the Long-Term Debt Service Coverage Ratio, calculated at the end of each Fiscal Year, will not be less than 1.10; provided, however, that in any case where Long-Term Indebtedness has been incurred to acquire or construct capital improvements, the Long-Term Debt

Service Requirement with respect thereto shall not be taken into account in making the foregoing calculation until the first Fiscal Year commencing after the occupation or utilization of such capital improvements unless the Long-Term Debt Service Requirement with respect thereto is required to be paid from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year.

(b) If at any time the Long-Term Debt Service Coverage Ratio required by clause (a) hereof, as derived from the most recent Audited Financial Statements for the most recent Fiscal Year, is not met, Health First covenants to retain a Consultant, with the consent of all Credit Facility Providers (which consent cannot be unreasonably withheld) within 30 days after the date the Audited Financial Statements become available, to make recommendations to increase such Long-Term Debt Service Coverage Ratio in the following Fiscal Year to the level required or, if in the opinion of the Consultant the attainment of such level is impracticable, to the highest level attainable. Any Consultant so retained shall be required to submit such recommendations to the Master Trustee, any Credit Facility Providers and Health First within 45 days after being so retained. Each Member of the Obligated Group agrees that it will, to the extent permitted by law, follow the recommendations of the Consultant. So long as a Consultant shall be retained and each Member of the Obligated Group shall follow such Consultant's recommendations to the extent permitted by law, this Section shall be deemed to have been complied with even if the Long-Term Debt Service Coverage Ratio for the following Fiscal Year is below the required level, but in no event less than 1.00; provided, however, that the revenues and unrestricted cash and investments on hand of the Obligated Group shall not be less than the amount required to pay when due the total Operating Expenses of the Obligated Group and to pay when due the debt service on all Indebtedness of the Obligated Group for such Fiscal Year and further provided, however, that the Obligated Group shall not be required to retain a Consultant to make recommendations pursuant to this Subsection (b) more frequently than biennially.

(c) If a report of a Consultant is delivered to the Master Trustee, which report shall state that Governmental Restrictions have been imposed which make it impossible for the coverage requirement in clause (a) hereof to be met, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event less than 1.00 and thereafter, for so long as such Governmental Restrictions are in effect, a report of a Consultant stating that Governmental Restrictions which make it impossible for the coverage requirement in clause (a) hereof to be met are still in effect shall be delivered to the Master Trustee biennially.

SECTION 3.8 SALE, LEASE OR OTHER DISPOSITION OF OPERATING ASSETS; DISPOSITION OF CASH AND INVESTMENTS; SALE OF ACCOUNTS.

(a) Each Member of the Obligated Group agrees that it will not transfer Operating Assets in any Fiscal Year (or other 12-month period for which financial statements are available) except for Transfers of Property:

(i) To any Person that the Obligated Group has ceased to operate pursuant to Section 3.2(b) of this Master Indenture.

(ii) To any Person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative stating that such Property has or will within the next 24 months become inadequate, obsolete, worn out, unsuitable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property, provided, however, that an Officer's Certificate of the Obligated Group Representative shall not be required to be delivered to the Master Trustee with respect to the Transfer of any such Property in any one Fiscal Year having an aggregate Book Value of less than five percent (5%) of the unrestricted net

assets of the Obligated Group for the most recent period of twelve (12) full consecutive calendar months for which Audited Financial Statements are available.

(iii) To another Member of the Obligated Group without limit.

(iv) To any Person provided there shall be delivered to the Master Trustee prior to such Transfer an Officer's Certificate certifying the Long-Term Debt Service Coverage Ratio, assuming the disposition of such Operating Assets occurred at the beginning of such period, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the Officer's Certificate for which the financial statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.10 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place; or

(v) To any Person provided that the Member of the Obligated Group proposing to make such Transfer shall receive, as consideration for such Transfer, cash, services or Property, the value of such consideration to be determined by the management of the Member of the Obligated Group making such transfer, equal to the fair market value of the asset so transferred such fair market value to be determined by the management of the Member of the Obligated Group making such Transfer. Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of this paragraph have been complied with and to make such records available to the Master Trustee upon written request.

(vi) To any Person if the aggregate Book Value of the Operating Assets Transferred pursuant to this subsection (vi) in the current Fiscal Year does not exceed 10% of the Book Value of all Property of the Obligated Group as shown in the financial statements for the most recent Fiscal Year.

(vii) To any Person any Operating Assets restricted by donor to a particular use.

(viii) In the case of CCH, upon termination of the Lease, all of CCH's Operating Assets which by the terms of the Lease must be transferred to The Cape Canaveral Hospital District.

(b) Any Member of the Obligated Group will have the right to sell, pledge, assign or otherwise dispose of its accounts receivable,

(i) without limitation if such sale, pledge, assignment, or other disposition is without recourse or such accounts are obligations of private persons and management of the Member of the Obligated Group selling such accounts receivable determines that such accounts receivable are unlikely to be collected utilizing normal collection procedures and at reasonable cost,

(ii) in an amount not to exceed the difference between (x) the Account Lien Amount and (y) the amount of accounts receivable that have been pledged to secure outstanding Indebtedness incurred by any Member of the Obligated Group pursuant to Section 3.6(i) hereof or sold pursuant to this subparagraph (ii) in the same Fiscal Year, if such sale, pledge, assignment or other disposition is with recourse, and,

in each case, if such Member of the Obligated Group shall receive as consideration for such sale, pledge, assignment or other disposition cash, services or Property equal to the fair market value of the accounts

receivable so sold, such fair market value to be determined by management of the Member of the Obligated Group making such Transfer.

Each Member of the Obligated Group covenants to maintain records adequate to enable the Master Trustee to ascertain that the provisions of this subsection (b)(i) have been complied with and to make such records available to the Master Trustee upon written request.

(c) In addition to other Transfers permitted hereunder, any Member of the Obligated Group may Transfer cash or cash equivalents to:

(i) another Member of the Obligated Group without limit,

(ii) any Person, if prior to such Transfer, an Officer's Certificate is delivered to the Master Trustee stating that either (a)(1) such Transfer will be a loan evidenced in writing, (2) such loan is for a reasonable term and bears a reasonable interest rate, and (3) such loan is reasonably expected to be repaid in accordance with its terms or (b) taking such Transfer into account as if such Transfer had occurred at the beginning of the most recent period of twelve (12) full consecutive months for which the financial statements have been reported upon by an independent certified public accountant, the Long-Term Debt Service Coverage Ratio for such period would not be less than 1.10, or

(iii) that the Member of the Obligated Group shall receive as consideration for such Transfer services or Property the fair market value of which is at least equal to the amount of the cash or cash equivalents so transferred such fair market value to be determined by management of the Member of the Obligated Group making such Transfer.

SECTION 3.9 CONSOLIDATION, MERGER, SALE OR CONVEYANCE.

(a) Each Member of the Obligated Group covenants that it will not merge or consolidate with, or sell or convey all or substantially all of its assets to any Person that is not a Member of the Obligated Group unless:

(i) Either a Member of the Obligated Group will be the successor corporation, or if the successor corporation is not a Member of the Obligated Group, such successor corporation shall execute and deliver to the Master Trustee an appropriate instrument containing the agreement of such successor corporation to assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations issued under this Master Indenture according to their tenor and the due and punctual performance and observance of all the covenants and conditions of this Master Indenture and any Supplement hereto; and

(ii) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative indicating that no Member of the Obligated Group immediately after such merger or consolidation, or such sale or conveyance, would be in default in the performance or observance of any covenant or condition of this Master Indenture; and

(iii) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been fully paid to the holder thereof, there shall have been delivered to the Master Trustee an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on any date of the delivery of such Related Bond, would not adversely affect

the exclusion of interest payable on such Related Bond from the gross income of the holder thereof for purposes of federal income taxation; and

(iv) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(b) In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for its predecessor, with the same effect as if it had been named herein as such predecessor or had become a Member of the Obligated Group pursuant to Section 3.11 hereof, as the case may be. Such successor corporation thereupon may cause to be signed, and may issue in its own name Obligations issuable hereunder; and upon the order of such successor corporation and subject to all the terms, conditions and limitations in this Master Indenture prescribed, the Master Trustee shall authenticate and shall deliver Obligations that such successor corporation shall have caused to be signed and delivered to the Master Trustee. All Outstanding Obligations so issued by such successor corporation hereunder shall in all respects have the same security position and benefit under this Master Indenture as Outstanding Obligations theretofore or thereafter issued in accordance with the terms of this Master Indenture as though all of such Obligations had been issued hereunder without any such consolidation, merger, sale or conveyance having occurred.

(c) In case of any such consolidation, merger, sale or conveyance such changes in phraseology and form (but not in substance) may be made in Obligations thereafter to be issued under this Master Indenture as may be appropriate.

(d) The Master Trustee may accept an Opinion of Counsel (not an employee of a Member of the Obligated Group or an Affiliate in this case) as conclusive evidence that any such consolidation, merger, sale or conveyance, and any such assumption, complies with the provisions of this Section and that it is proper for the Master Trustee under the provisions of Article VI and of this Section to join in the execution of any instrument required to be executed and delivered by this Section.

SECTION 3.10FILING OF FINANCIAL STATEMENTS, CERTIFICATE OF NO DEFAULT, OTHER INFORMATION. The Obligated Group covenants that it will:

(a) Within 30 days after receipt of the audit report mentioned below but in no event later than 180 days after the end of each fiscal reporting period for which the Audited Financial Statements are reported upon by independent certified public accountants, file with the Master Trustee, with each Holder who may have so requested in writing or on whose behalf the Master Trustee may have so requested, a copy of the Audited Financial Statements as of the end of such fiscal reporting period accompanied by the opinion of independent certified public accountants. Such Audited Financial Statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of consolidated financial position, results of operations and changes in net assets and cash flows as of the end of such fiscal reporting period.

(b) Within 30 days after receipt of the audit report mentioned above but in no event later than 180 days after the end of each fiscal reporting period, file with the Master Trustee, with each Holder who may have so requested or in whose behalf the Master Trustee may have so requested and with each such Nationally Recognized Municipal Securities Information Repository, an Officer's Certificate and a report of independent certified public accountants stating the Long-Term Debt Service Coverage Ratio for such fiscal reporting period and stating whether, to the best knowledge of the signers, any Member of the Obligated Group is in default in the performance of any covenant contained in this Master Indenture and, if so, specifying each such default of which the signers may have knowledge.

(c) If an Event of Default shall have occurred and be continuing, (i) file with the Master Trustee such other financial statements and information concerning its operations and financial affairs (or of any consolidated or combined group of companies, including its consolidated or combined Affiliates, including any Member of the Obligated Group) as the Master Trustee may from time to time reasonably request, excluding specifically donor records, patient records and personnel records and (ii) provide access to its facilities for the purpose of inspection by the Master Trustee during regular business hours or at such other times as the Master Trustee may reasonably request.

(d) Within 30 days after its receipt thereof, file with the Master Trustee a copy of each report which any provision of this Master Indenture requires to be prepared by a Consultant.

SECTION 3.11PARTIES BECOMING MEMBERS OF THE OBLIGATED GROUP. Persons which are not Members of the Obligated Group and corporations which are successor corporations to any Member of the Obligated Group through a merger or consolidation permitted by Section 3.9 hereof may, with the prior written consent of the Obligated Group Representative, become Members of the Obligated Group, if:

(a) The Person or successor corporation which is becoming a Member of the Obligated Group shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Master Trustee, who may rely on an Opinion of Counsel for such satisfaction, containing the agreement of such Person or successor corporation (i) to become a Member of the Obligated Group under this Master Indenture and any Supplements and thereby become subject to compliance with all provisions of this Master Indenture and any Supplements pertaining to a Member of the Obligated Group, and the performance and observance of all covenants and obligations of a Member of the Obligated Group hereunder, and (ii) unconditionally and irrevocably guarantee to the Master Trustee and each other Member of the Obligated Group that all Obligations issued and then Outstanding or to be issued and Outstanding hereunder will be paid in accordance with the terms thereof and of this Master Indenture when due.

(b) Each instrument executed and delivered to the Master Trustee in accordance with subsection (a) of this Section, shall be accompanied by an Opinion of Counsel, addressed to all Credit Facility Providers and the Master Trustee, and satisfactory to the Master Trustee, to the effect that such instrument has been duly authorized, executed and delivered by such Person or successor corporation and constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy laws, insolvency laws, other laws affecting creditors' rights generally, equity principles and laws dealing with fraudulent conveyances.

(c) There shall be filed with the Master Trustee an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(d) If all amounts due or to become due on any Related Bond which bears interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the Holders thereof, there shall be filed with the Master Trustee and all Credit Facility Providers, (i) an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not adversely affect the exclusion of the interest on any such Related Bond from the gross income of the holder thereof for purposes of federal income taxation and (ii) an Opinion of Counsel, in form and substance satisfactory to the Master Trustee, to the effect that the consummation of such transaction would not require the registration of the Obligations under the Securities Act of 1933, as amended or the Supplements under the Trust Indenture Act of 1939, as amended, or if such registration is required, that all applicable registration and qualification provisions of said acts have been complied with.

(e) There shall be delivered to the Master Trustee an Officer's Certificate certifying that the admission of such Person as a Member of the Obligated Group will not give rise to an Event of Default under this Master Indenture.

SECTION 3.12WITHDRAWAL FROM THE OBLIGATED GROUP.

(a) No Member of the Obligated Group may withdraw from the Obligated Group without the prior written consent of the Obligated Group Representative and unless, prior to the taking of such action, there is delivered to the Master Trustee:

(i) If all amounts due on any Related Bonds which bear interest which is not includable in the gross income of the recipient thereof under the Code have not been paid to the holders thereof, there shall be delivered to the Master Trustee and any Credit Facility Providers an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Member's withdrawal from the Obligated Group, whether or not contemplated on any date of delivery of any Related Bond, would not cause the interest payable on such Related Bond to become includable in the gross income of the recipient thereof under the Code; and

(ii) An Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test.

(b) Upon the withdrawal of any Member from the Obligated Group pursuant to subsection (a) of this Section, any guaranty by such Member pursuant to Section 3.11 hereof shall be released and discharged in full and all liability of such Member of the Obligated Group with respect to all Obligations Outstanding under this Master Indenture shall cease.

SECTION 3.13COVENANTS OF THE COMBINED GROUP. The Obligated Group agrees to cause the Restricted Affiliates to transfer funds or other assets to the Member of the Obligated Group that is its sole member, beneficiary or controlling person to the extent permitted by law or other governmental restriction for the purpose of allowing the Obligated Group to satisfy (i) its debt service requirements applicable to any Obligations and (ii) its covenants hereunder.

SECTION 3.14CONDITIONS FOR DESIGNATION OF RESTRICTED AFFILIATE. Any Affiliate of a Member of the Obligated Group that has satisfied the definition of "Restricted Affiliate" will become a Restricted Affiliate upon delivery to the Master Trustee of the following documents:

(a) An Officer's Certificate from the Obligated Group Representative to the effect that the Obligated Group Representative consents to such Person becoming a Restricted Affiliate;

(b) A written undertaking for the benefit of the Master Trustee duly authorized and executed by such Affiliate evidencing the agreement of such Affiliate to observe and perform the obligations that the Obligated Group has covenanted to cause Restricted Affiliates to observe and perform hereunder;

(c) (i) An Officer's Certificate of the Obligated Group Representative to the effect that no Event of Default then exists hereunder, nor to such officer's knowledge does there then exist any event which, with the passage of time or giving of notice or both, would or might become an Event of Default hereunder, and (ii) an Officer's Certificate of the Obligated Group Representative demonstrating compliance with the Transaction Test; provided that the term "Combined Group" shall be substituted for the term "Obligated Group" for purposes of the Transaction Test.

SECTION 3.15RELEASE OF RESTRICTED AFFILIATES. Any Person shall be released from its obligations and status as a Restricted Affiliate only upon compliance of the following conditions:

(a) The Master Trustee shall have received an Officer's Certificate from the Obligated Group Representative consenting to the release of such Person from its status as a Restricted Affiliate and demonstrating compliance with the Transaction Test.

(b) The Master Trustee receives an Officer's Certificate of the Person requesting such release stating that all conditions precedent provided for under this Master Indenture relating to the release of such Person as a Restricted Affiliate have been complied with and that, were such Person released as a Restricted Affiliate on the date of such Officer's Certificate, no Event of Default would then exist hereunder, nor to such officer's knowledge, would there then exist any event which with the passage of time or giving of notice, or both, would or might become an Event of Default.

Upon compliance with the conditions contained in subsections (a) and (b), the Master Trustee shall execute any documents reasonably requested by the released Person to evidence the termination of such Person's status as a Restricted Affiliate hereunder.

SECTION 3.16LIMITED OBLIGORS.

(a) Any Person shall become a Limited Obligor upon delivery to the Master Trustee of the following:

(i) An Officer's Certificate from the Obligated Group Representative to the effect that the Obligated Group Representative consents to such Person becoming a Limited Obligor;

(ii) An opinion of Counsel to the effect that a Pledged Note (i) has been duly authorized, executed and delivered by the Limited Obligor and (ii) constitutes the legal, valid and binding obligation of the Limited Obligor, enforceable in accordance with its terms, subject only to and limited by the then existing law relating to bankruptcy and insolvency and other customary and standard legal exceptions, and an Opinion of Counsel to the applicable Member of the Obligated Group to the effect that the Pledged Note has been validly assigned by the applicable Member of the Obligated Group to the Master Trustee; and

(iii) The duly executed Pledged Note made by such Person.

(b) Any Person shall be released from its obligations and status as a Limited Obligor only upon the condition that the Master Trustee shall have received an Officer's Certificate from the Obligated Group Representative certifying that (i) the related Guaranty or other consideration has been paid or terminated, and (ii) immediately after the release of such Person, no Event of Default will then exist hereunder, nor to such officer's knowledge, would there then exist any event which, with the passage of time or the giving of notice or both, would or might become an Event of Default.

(c) Upon compliance with the conditions contained in subsection (b) above, the Master Trustee shall surrender the Pledged Note to the released Person, duly marked "cancelled" and shall execute such other documents reasonably requested by such Person to evidence the termination of such Person's status as a Limited Obligor.

SECTION 3.17REPLACEMENT MASTER INDENTURE. A Related Bond Trustee for Related Bonds shall, with the prior written consent of (i) the majority in principal amount of the Holders of such Related Bonds then outstanding (which consent may be provided by the Credit Facility Provider, if any, for such Related Bonds in lieu of the Consent of the Holders of such Related Bonds) and (ii) the

Credit Facility Provider, if any, for such Related Bonds, and the issuer of such Related Bonds, surrender any Obligation issued to secure such Related Bonds to the Master Trustee upon presentation to the Related Bond Trustee of the following:

(a) an original replacement note or similar obligation issued by the obligated group (the "Substitute Obligation") under and pursuant to a master trust indenture (the "Replacement Master Indenture") executed by the Members of the Obligated Group and certain other parties named therein (collectively, the "New Group") and an independent corporate trustee which may be the Master Trustee or the Related Bond Trustee (the "New Trustee") meeting the eligibility requirements of the Master Trustee as set forth in this Master Indenture, which Substitute Obligation has been duly authenticated by the New Trustee;

(b) the Replacement Master Indenture containing the agreement of each member of the New Group (i) to become a member of the New Group and thereby to become subject to compliance with all provisions of the Replacement Master Indenture and (ii) unconditionally and irrevocably (subject to the right of such Person to cease its status as a member of the New Group pursuant to the terms and conditions of the Replacement Master Indenture) to jointly and severally make payments upon each note and obligation, including the Substitute Obligation, issued under the Replacement Master Indenture at the times and in the amounts provided in each such note or obligation;

(c) an Opinion of Counsel addressed to the Related Bond Trustee, any Credit Facility Providers and the Obligated Group Representative to the effect that: (i) the Replacement Master Indenture has been duly authorized, executed and delivered by each member of the New Group, the Substitute Obligation has been duly authorized, executed and delivered by the Obligated Group, and the Replacement Master Indenture and the Substitute Obligation are each a legal, valid and binding obligation of each member of the New Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (ii) all requirements and conditions to the issuance of the Substitute Obligation set forth in the Replacement Master Indenture have been complied with and satisfied; and (iii) registration of the Substitute Obligation under the Securities Act of 1933, as amended, is not required or, if such registration is required, that all applicable registration provisions of such act have been complied with;

(d) an Officer's Certificate certifying that (i) the Long-Term Debt Service Coverage Ratio as calculated pursuant to this Master Indenture for the most recent period of 12 full consecutive calendar months for which Audited Financial Statements are available (x) for the members of the New Group other than the Members of the Obligated Group and (y) for the Obligated Group, adjusted as if the New Group was formed at the beginning of such period, is not less than 1.50 and not less than 65% of such Ratio for the Obligated Group for such period; (ii) the unrestricted net assets of the New Group is not less than 100% of the unrestricted net assets of the Obligated Group, and (iii) the New Group would not be in default under the provisions of Section 3.5 of this Master Indenture;

(e) an Opinion of Bond Counsel that the surrender of the Obligation and the acceptance by the Bond Trustee of the Substitute Obligation will not adversely affect the validity of the Related Bonds or any exemption for the purposes of federal income taxation to which interest on the Related Bonds would otherwise be entitled;

(f) an original executed counterpart of the Replacement Master Indenture; and

(g) such other opinions and certificates as the Related Bond Trustee or the Credit Facility Provider, if any, may reasonably require, together with such reasonable indemnities as the Related Bond Trustee or the Credit Facility Provider, if any, may request.

ARTICLE IV
DEFAULT AND REMEDIES

SECTION 4.1 EVENTS OF DEFAULT. Event of Default, as used herein, shall mean any of the following events:

(a) The Members of the Obligated Group shall fail to make any payment of the principal of, the premium, if any, or interest on any Obligations issued and Outstanding hereunder when and as the same shall become due and payable, whether at maturity, by proceedings for redemption, by acceleration or otherwise, in accordance with the terms thereof, of this Master Indenture or of any Supplement;

(b) Any Member of the Obligated Group shall fail duly to perform, observe or comply with any covenant or agreement on its part under this Master Indenture for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Members of the Obligated Group by the Master Trustee, or to the Members of the Obligated Group and the Master Trustee by the Holders of at least 25% in aggregate principal amount of Obligations then Outstanding; provided, however, that if said failure be such that it cannot be corrected within forty-five (45) days after the receipt of such notice, it shall not constitute an Event of Default if corrective action is instituted within such 45-day period and diligently pursued until the Event of Default is corrected;

(c) An event of default shall occur under a Related Bond Indenture or upon a Related Bond;

(d) (i) Any Member of the Obligated Group shall fail to make any required payment with respect to any Indebtedness (other than Obligations issued and Outstanding hereunder), which Indebtedness is in an aggregate principal amount greater than one percent (1%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or (ii) there shall occur an event of default as defined in any Mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, which Indebtedness is in an aggregate principal amount greater than one percent (1%) of Total Operating Revenues for the most recent Fiscal Year whether such Indebtedness now exists or shall hereafter be created, which event of default shall not have been waived by the holder of such Mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within 30 days (i) written notice is delivered to the Master Trustee, signed by the Obligated Group Representative, that such Member of the Obligated Group is contesting the payment of such Indebtedness and within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, any Member of the Obligated Group in good faith shall commence proceedings to contest the obligation to pay such Indebtedness and if a judgment relating to such Indebtedness has been entered against such Member of the Obligated Group (A) the execution of such judgment has been stayed or (B) sufficient moneys are escrowed with a bank or trust company for the payment of such Indebtedness;

(e) The entry of a decree or order by a court having jurisdiction in the premises for an order for relief against any Member of the Obligated Group, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such Member under the United States Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, custodian, assignee, or sequestrator (or other similar official) of such Member or of any substantial part of its Property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days;

(f) The institution by any Member of the Obligated Group of proceedings for an order for relief, or the consent by it to an order for relief against it, or the filing by it of a petition or answer or consent seeking reorganization, arrangement, adjustment, composition or relief under the United States Bankruptcy Code or any other similar applicable federal or state law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, custodian, assignee, trustee or sequestrator (or other similar official) of such Member of the Obligated Group or of any substantial part of its Property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due; and

(g) Any Event of Default shall occur under the 2001 Mortgage or any other Mortgage, security document, instrument or agreement of any kind relating to the Obligations to which a Member of the Obligated Group is a party, other than as the secured party thereunder.

SECTION 4.2 NO ACCELERATION. Unless otherwise specifically provided in a Supplement, no Obligations or Related Bonds issued under this Master Indenture shall be accelerated on account of any Event of Default.

SECTION 4.3 ADDITIONAL REMEDIES AND ENFORCEMENT OF REMEDIES.

(a) Subject to the provisions of Section 8.4 hereof, upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than 50% in aggregate principal amount of the Obligations Outstanding, together with indemnification of the Master Trustee to its satisfaction therefor, shall, proceed forthwith to protect and enforce its rights and the rights of the Holders hereunder by such suits, actions or proceedings as the Master Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Enforcement of the right of the Holders to collect and enforce the payment of amounts due or becoming due under the Obligations;

(ii) Suit upon all or any part of the Obligations;

(iii) Civil action to require any Person holding moneys, documents or other property pledged to secure payment of amounts due or to become due on the Obligations to account as if it were the trustee of an express trust for the Holders;

(iv) Civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders;

(v) Enforcement of rights as a secured party under the Uniform Commercial Code of the State of Florida, if applicable;

(vi) Enforcement of any rights or remedies conferred by the 2001 Mortgage or any other Mortgage securing the Obligations; and

(vii) Enforcement of any other right of the Holders conferred by law or hereby.

(b) Regardless of the happening of an Event of Default, the Master Trustee, if requested in writing by the Holders of not less than 50% in aggregate principal amount of the Obligations then Outstanding, shall, upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request and the action to be taken by the Master Trustee

are not in conflict with any applicable law or the provisions hereof and, in the sole judgment of the Master Trustee, are not unduly prejudicial to the interest of the Holders not making such request.

SECTION 4.4 APPLICATION OF MONEYS AFTER DEFAULT. During the continuance of an Event of Default, subject to the expenditure of moneys to make any payments required to permit any Member of the Obligated Group to comply with any requirement or covenant in any Related Bond Indenture to cause Related Bonds the interest on which, immediately prior to such Event of Default, is excludable from the gross income of the recipients thereof for federal income tax purposes under the Code to retain such status under the Code, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article shall be applied, after the payment of any compensation, expenses, disbursements and advances then owing to the Master Trustee (including reasonable attorney fees and expenses) pursuant to Section 5.5 hereof, as follows:

(a) Unless the principal of all Outstanding Obligations shall have become or have been declared due and payable:

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

Second: To the payment to the Persons entitled thereto of the unpaid principal installments of any Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal installments due on such date, to the Persons entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Obligations shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon Obligations without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Obligation over any other Obligation, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

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

Whenever moneys are to be applied by the Master Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Master Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Master Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Master Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Obligation until such Obligation shall be presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Obligations and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Members of the Obligated Group, their respective successors, or as a court of competent jurisdiction may direct.

SECTION 4.7 HOLDERS' CONTROL OF PROCEEDINGS. Subject to the provisions of Section 8.4 hereof, if an Event of Default shall have occurred and be continuing, notwithstanding anything herein to the contrary, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Master Trustee and accompanied by indemnity satisfactory to the Master Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions hereof or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is not in conflict with any applicable law or the provisions hereof, and is not unduly prejudicial to the interest of any Holders not joining in such direction, and provided further, that the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability, and, in the sole judgment of the Master Trustee, and provided further that nothing in this Section shall impair the right of the Master Trustee in its discretion to take any other action hereunder which it may deem proper and which is not inconsistent with such direction by the Holders.

SECTION 4.12NOTICE OF DEFAULT. The Master Trustee shall, within 10 days after it has actual knowledge of the occurrence of an Event of Default, mail, by first class mail, to all Holders as the names and addresses of such Holders appear upon the books of the Master Trustee, notice of such Event of Default known to the Master Trustee, unless such Event of Default shall have been cured before the giving of such notice; provided that, except in the case of default in the payment of the principal of or premium, if any, or interest on any of the Obligations and the Events of Default specified in subsections (e) and (f) of Section 4.1, the Master Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or any responsible officer of the Master Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

ARTICLE VI
SUPPLEMENTS AND AMENDMENTS

SECTION 6.1 SUPPLEMENTS NOT REQUIRING CONSENT OF HOLDERS. Each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its Governing Body, and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplements for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or the 2001 Mortgage.

(b) To correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder and which shall not materially and adversely affect the interests of the Holders.

(c) To grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them subject to the provisions of Section 6.2(a) including, but not limited to, additional security under the 2001 Mortgage.

(d) To qualify this Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect.

(e) To create and provide for the issuance of Indebtedness as permitted hereunder.

(f) To obligate a successor to any Member of the Obligated Group or any additional Member of the Obligated Group as provided in Section 3.11.

(g) To comply with the provisions of any federal or state securities law.

(h) So long as no Event of Default has occurred and is continuing under this Master Indenture and so long as no event which with notice or the passage of time or both would become an Event of Default under this Master Indenture has occurred and is continuing, to make any change to the provisions of this Master Indenture (except as set forth below) if the following conditions are met:

(i) the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect either (A)(1) a Consultant's report to the effect that the proposed amendment is consistent with then current industry standards for comparable institutions and (2) an Officer's Certificate of the Obligated Group Representative demonstrating that the Long-Term Debt Service Coverage Ratio for the most recent period of 12 consecutive calendar months preceding the date of delivery of the report for which there are financial statements available was at least 1.75; or (B) evidence satisfactory to the Master Trustee to the effect that the Obligated Group has delivered, respectively, to each Related Bond Trustee for each outstanding Related Bond, each trustee for any outstanding Obligation which is not pledged to secure Related Bonds and each holder of an outstanding Obligation which is not pledged to secure Related Bonds and with respect to which there is no trustee (in each case which Related Bond or Obligation is not already entitled to the benefit of credit enhancement of the types hereinafter described), a surety bond insurance policy, letter of credit or other form of credit enhancement from a financial institution generally regarded as responsible (in each case which is irrevocable and will remain in full force and effect for the entire period of time each such Related Bond or Obligation, as the case may be, remains outstanding and provides for payment in full of principal and interest on such Related Bond or Obligation when due) and with evidence satisfactory to the Master Trustee from each rating agency then rating each such Related Bond and Obligation that, on the date the proposed change is to take effect, each such Related Bond and Obligation rated by such rating agency will be rated based on such credit enhancement not lower than the rating applicable to such Related Bond or Obligation on the day prior to the effective date of such change;

(ii) if any Series of Obligations or Related Bonds are rated based on credit enhancement of such Obligations or Related Bonds (whether in the form of a letter of credit, surety bond or otherwise) and not on the underlying credit of the Combined Group, the Obligated Group Representative delivers to the Master Trustee prior to the date such amendment is to take effect the written consent of the issuer of such credit enhancement to such amendment of modification; and

(iii) with respect to each outstanding Related Bond, an Opinion of Bond Counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are not unacceptable to the Master Trustee) to the effect that the proposed change will not adversely affect the validity of any Related Bond or any exclusion from gross income for federal income taxation purposes of interest payable thereon to which such Bond would otherwise be entitled;

provided, however, that no amendment shall be made pursuant to this clause (h) which would have the effect, directly or indirectly, of changing or providing an alternative to (1) any provision of this Master Indenture requiring the maintenance or demonstration of a Long-Term Debt Service Coverage Ratio, except to reduce such ratio, but in no event shall such ratio be reduced to less than 1.10 (or less than 1.00 if Governmental Restrictions make it impossible for a Long-Term Debt Service Coverage Ratio of at least 1.10 to be maintained or demonstrated), (2) the definition of any term used in the calculation of the Long-Term Debt Service Coverage Ratio or the amount of Long-Term Indebtedness or Short-Term Indebtedness, or the definitions of Affiliate, Audited Financial Statements, financial statements, Book Value, Non-Recourse Indebtedness, Operating Assets, Property, Plant and Equipment, Restricted Affiliate or Total Operating Revenues, Total Revenues or (3) Sections 3.1, 3.2(a), 3.5(b)(xi), 3.5(b)(xvii), 3.6(a)(i), 3.8(a)(iv), 3.8(a)(v), 3.8(a)(vi), 3.9, 3.11, 3.12, 3.13, 3.14, 3.15, 4.1 through 4.12, inclusive, 5.4, 6.1(h), 6.2(a), 7.1 or 8.2 of this Master Indenture.

SECTION 6.2 SUPPLEMENTS REQUIRING CONSENT OF HOLDERS.

(a) Other than Supplements referred to in Section 6.1 hereof and subject to the terms and provisions and limitations contained in this Article, Section 8.4 hereof and not otherwise, the Holders of not less than a majority in aggregate principal amount of Obligations then Outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to consent to and approve the execution by each Member of the Obligated Group, when authorized by resolution or other action of equal formality by its governing Body, and the Trustee of such Supplements as shall be deemed necessary and desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein; provided, however, nothing in this Section shall permit or be construed as permitting a Supplement which would:

(i) Effect a change in the times, amounts or currency of payment of the principal of, premium, if any, and interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon, without the consent of the Holder of such Obligation;

(ii) Permit the preference or priority of any Obligation over any other Obligation, without the consent of the Holders of all Obligations then Outstanding; or

(iii) Reduce the aggregate principal amount of Obligations then Outstanding the consent of the Holders of which is required to authorize such Supplement without the consent of the Holders of all Obligations then Outstanding.

(b) If at any time each Member of the Obligated Group shall request the Master Trustee to enter into a Supplement pursuant to this Section, which request is accompanied by a copy of the resolution or other action of its Governing Body certified by its secretary or if it has no secretary, its comparable officer, and the proposed Supplement and if within such period, not exceeding three years, as shall be prescribed by each Member of the Obligated Group following the request, the Master Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate principal amount or number of Obligations specified in subsection 6.2(a) for the Supplement in question which instrument or instruments shall refer to the proposed Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee, thereupon, but not otherwise, the Master Trustee may execute such Supplement in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

(c) Any such consent shall be binding upon the Holder giving such consent and upon any subsequent Holder of such Obligation and of any Obligation issued in exchange therefor (whether or not

such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Supplement, such revocation and, if such Obligation is transferable by delivery, proof that such Obligation is held by the signer of such revocation in the manner permitted by Section 8.1 of this Master Indenture. At any time after the Holders of the required principal amount or number of Obligations shall have filed their consents to the Supplement, the Master Trustee shall make and file with each Member of the Obligated Group a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(d) If the Holders of the required principal amount of the Obligations Outstanding shall have consented to and approved the execution of such Supplement as herein provided, no Holder shall have any right to object to the execution thereof, or 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 Master Trustee or any Member of the Obligated Group from executing the same or from taking any action pursuant to the provisions thereof.

ARTICLE VII
SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 7.1 SATISFACTION AND DISCHARGE OF INDENTURE. If (i) the Obligated Group Representative shall deliver to the Master Trustee for cancellation all Obligations theretofore authenticated (other than any Obligations which shall have been mutilated, destroyed, lost or stolen and which shall have been replaced or paid as provided in the Supplement) and not theretofore cancelled, or (ii) all Obligations not theretofore cancelled or delivered to the Master Trustee for cancellation shall have become due and payable and money sufficient to pay the same shall have been deposited with the Master Trustee, or (iii) all Obligations that have not become due and payable and have not been cancelled or delivered to the Master Trustee for cancellation shall be Defeased Obligations, and if in all cases the Members of the Obligated Group shall also pay or cause to be paid all other sums payable hereunder by the Members of the Obligated Group or any thereof, then this Master Indenture shall cease to be of further effect, and the Master Trustee, on demand of the Members of the Obligated Group and at the cost and expense of the Members of the Obligated Group, shall execute proper instruments acknowledging satisfaction of and discharging this Master Indenture. Each Member of the Obligated Group, respectively, hereby agrees to reimburse the Master Trustee for any costs or expenses theretofore and thereafter reasonably and properly incurred by the Master Trustee in connection with this Master Indenture or such Obligations.

SECTION 7.2 PAYMENT OF OBLIGATIONS AFTER DISCHARGE OF LIEN. Notwithstanding the discharge of the lien hereof as in this Article provided, the Master Trustee shall nevertheless retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Obligations and the registration, transfer, exchange and replacement of Obligations as provided herein.

Nevertheless, any moneys held by the Master Trustee or any paying agent for the payment of the principal of, premium, if any, or interest on any Obligation remaining unclaimed for five years after the principal of all Obligations has become due and payable, whether at maturity or upon proceedings for redemption or by declaration as provided herein, shall then be paid to the Members of the Obligated Group, as their interests may appear, and the Holders of any Obligations not theretofore presented for payment shall thereafter be entitled to look only to the Members of the Obligated Group for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

ARTICLE VIII
CONCERNING THE HOLDERS

SECTION 8.4 RIGHTS OF CREDIT FACILITY PROVIDERS. Notwithstanding anything in this Master Indenture to the contrary, in the event that a Credit Facility is in full force and effect as to any Series of Related Bonds, the Credit Facility Provider is not insolvent and no default of the Credit Facility exists on the part of the Credit Facility Provider, then the said Credit Facility Provider, in place of the owner of the Obligations to which such Related Bonds relate shall have the power and authority to give any written consents and exercise any and all other rights which the owner of that Obligation would otherwise have the power and authority to make, give or exercise, including, but not limited to, the exercise of remedies provided in Article IV and the giving of written consents to Supplements when required by Section 6.2, and such consent shall be deemed to also constitute the consent of the owners of all of those Related Bonds which are secured by such Credit Facility.

Notwithstanding anything herein to the contrary, all beneficial owners of registered Related Bonds adversely affected by any amendments or supplements under Section 6.2 of this Master Indenture shall be required to join with the Credit Facility Provider in consent to such amendments or supplements.

The Authorized Representative or the Obligated Group Representative may execute and deliver any contracts or agreements with Credit Facility Providers to carry out the provisions hereof or to clarify the rights of such Credit Facility Provider with respect to any Related Bonds.

ARTICLE IX
MISCELLANEOUS PROVISIONS

SECTION 9.8 NOTICES.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to any Member of the Obligated Group, addressed to Health First at its principal place of business, which on the date hereof is: 6450 South US Highway 1, Rockledge, Florida 32955, Attention: Chief Financial Officer;

(ii) If to the Master Trustee, addressed to it c/o SunTrust Bank, 225 E. Robinson Street, Suite 250, Orlando, Florida 32801, Attention: Corporate Trust Department; or

(iii) If to any registered Holder, addressed to such Holder at the address shown on the books of the Master Trustee kept pursuant hereto.

(b) Any Member of the Obligated Group, or the Master Trustee may from time to time by notice in writing to the other and to the registered Holders designate a different address or addresses for notice hereunder.

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APPENDIX E

DEFINITIONS AND EXCERPTED PROVISIONS OF THE BOND INDENTURE

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ARTICLE I
DEFINITIONS

"Act" means Part III, Chapter 154, Florida Statutes, as amended, and other applicable provisions of law.

"Authority" means the Brevard County Health Facilities Authority, a public body politic and corporate organized and existing under the laws of the State of Florida (together with any successors).

"Authority's Expenses" means the reasonable and necessary fees and expenses incurred by the Authority with respect to this Bond Indenture, the Loan Agreement, the Series 2009B Supplement, the Series 2009B Obligation, the Purchase Contract, the Master Indenture, the Bonds or any property financed or refinanced with the proceeds of the Bonds, including any advances made by the Authority plus interest on those advances as provided by any of the applicable documents to which the Borrower is a party and those for any legal, accounting, financial or other experts reasonably retained by the Authority, as well as any recording expenses, trustee's acceptance fees, escrow and title insurance costs, legal fees, bank fees, bond insurance and rating agency fees, printing expenses and other fees and fair and customary expenses incurred or to be incurred by or on behalf of the Authority in connection with or as an incident to the issuance and sale of the Bonds.

"Authorized Denomination" means $5,000 and any integral multiple thereof.

"Benefited Affiliates" means Cape Canaveral Hospital, Inc. and Holmes Regional Medical Center, Inc.

"Bond Counsel" means Nabors, Giblin & Nickerson, P.A., or any other nationally recognized municipal bond counsel acceptable to the Authority and the Bond Trustee, as applicable.

"Bond Indenture" means this Bond Trust Indenture dated as of July 1, 2009, including the Exhibits hereto, from the Authority to the Bond Trustee, as it may from time to time be amended or supplemented.

"Bond Register" means the registration books of the Authority kept by the Bond Trustee to evidence the registration and transfer of Bonds.

"Bond Registrar" means the Bond Trustee as keeper of the Bond Register.

"Bond Sinking Fund" means the fund by that name created in Section 4.4 hereof.

"Bond Trustee" means Wells Fargo Bank, N.A., or any successor trustee under this Bond Indenture.

"Bond Trustee's Prime Rate" means a fluctuating rate of interest equal to the prime rate established from time to time by the applicable department of the Bond Trustee or the largest commercial bank with which it is affiliated if it does not have a prime rate. The Bond Trustee's Prime Rate shall change simultaneously with any corresponding change or changes in the Bond Trustee's or such affiliated bank's prime rate.

"Bondholder," "holder" and **"owner of the Bonds"** means any registered owner of any Bond.

"Bonds" means the $85,850,000 aggregate principal amount of Brevard County Health Facilities Authority Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project) authorized to be issued by the Authority pursuant to the terms and conditions of Section 2.2 hereof.

"Borrower" means Health First, Inc., a Florida not-for-profit corporation, together with its successors and assigns and any surviving, resulting or transferee corporation.

"Borrower's Closing Certificate" means the Officer's Certificate of the Borrower dated the date of and delivered on the Closing Date.

"Borrower's Documents" means the Loan Agreement, the Master Indenture, the Series 2009B Obligation, the Representation Letter, the Official Statement, the Tax Exemption Agreement and all other documents to which the Borrower is a party related to the issuance of the Bonds.

"Business Day" means a day which is not (a) a Saturday, Sunday or legal holiday or any other day on which banking institutions in the State or the State of New York are authorized by law to close or (b) a day on which the New York Stock Exchange is closed.

"Closing Date" means July 1, 2009, the date of the initial issuance and delivery of the Bonds.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a Section of the Code herein shall be deemed to include the United States Treasury Regulations, including temporary or proposed regulations relating to such Section which are applicable to the Bonds or the use of the proceeds thereof.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent or in-house legal counsel for the Borrower or the Bond Trustee.

"Debt Service Reserve Fund" means the fund by that name created in Section 4.5 of this Bond Indenture.

"Defaulted Interest" means interest on any Bond which is payable but not duly paid on the date due.

"DTC" means The Depository Trust Company.

"DTC Participant" means those broker dealers, banks and other financial institutions reflected on the books of DTC.

"Expense Fund" means the fund by that name created in Section 3.1 hereof.

"Fitch" means Fitch, Inc. d/b/a Fitch Ratings, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Borrower by notice to the Authority and the Bond Trustee.

"Governing Body" means the board of directors, the board of trustees or similar group in which the right to exercise the powers of corporate directors or trustees is vested.

"Government Obligations" means (a) United States Government Obligations or (b) evidences of a direct ownership in future interest or principal payments on United States Government Obligations,

which United States Government Obligations are held in book-entry form on the books of the Department of the Treasury.

"Immediate Notice" means notice by telephone, telex or telecopier to such telephone number, telex number or telecopier number as the addressee shall have directed in writing, promptly followed by written notice by first class mail postage prepaid to such address as the addressee shall have directed in writing.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include independent legal counsel for the Authority, the Borrower, any other Member, the Bond Trustee or the Master Trustee.

"Indirect Participant" means a person on behalf of whom a DTC Participant directly or indirectly holds an interest in the Bonds.

"Interest Fund" means the fund by that name created in Section 4.3 hereof.

"Interest Payment Date" means each April 1 and October 1, commencing October 1, 2009.

"Loan Agreement" means that certain Loan Agreement dated as of July 1, 2009 between the Borrower and the Authority.

"Master Indenture" has the meaning specified in the Preliminary Statement of this Bond Indenture or, following the release of the Series 2009B Obligation pursuant to the provisions of Section 9.1 hereof, any replacement Master Indenture pursuant to which a Substitute Obligation is issued.

"Master Trustee" means SunTrust Bank.

"Maturity Date" means the maturity date for each Bond assigned a specific serial or different term maturity date pursuant to Section 2.2 hereof.

"Maximum Interest Rate" means the maximum rate permitted by law.

"Member" or **"Obligated Group Member"** means any person designated as an Obligated Group Member pursuant to the terms of the Master Indenture.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Borrower by notice to the Bond Trustee and the Authority.

"Obligated Group" has the meaning specified in the Master Indenture.

"Obligated Group Bond" means any Bond which is registered in the name of an Obligated Group Member.

"Obligated Group Representative" has the meaning specified in the Master Indenture.

"Obligated Issuer" has the meaning specified in the Master Indenture.

"Officer's Certificate" means a certificate signed, in the case of a certificate delivered by a corporation, by the president, any vice president or any other officer authorized to sign by resolution of the Governing Body of such corporation or, in the case of a certificate delivered by any other Person, the chief executive or chief financial officer of such other Person, in either case whose authority to execute such Officer's Certificate shall be evidenced to the satisfaction of the Bond Trustee.

"Official Statement" means the Official Statement dated June 18, 2009, prepared in connection with the issuance and sale of the Bonds.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel in form and substance acceptable to the Authority and the Bond Trustee, which opinion may be based on a ruling or rulings of the Internal Revenue Service.

"Outstanding Bonds" or **"Bonds Outstanding"** means all Bonds which have been duly authenticated and delivered by the Bond Trustee under this Bond Indenture, except:

(a) Bonds canceled 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 or Government Obligations shall have been theretofore deposited with the Bond Trustee (whether upon or prior to the maturity or redemption date of any such Bonds) in accordance with Article XI of this Bond Indenture; 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;

(c) Bonds in lieu of which others have been authenticated under Section 2.7 or 2.8 of this Bond Indenture; and

(d) for the purpose of all consents, approvals, waivers and notices required to be obtained or given under this Bond Indenture, Bonds held or owned by the Borrower or any other Member of the Obligated Group or any Person controlling, controlled by or under common control with the Borrower or any Member to the extent provided in Section 12.2 hereof.

"Paying Agent" means the Bond Trustee and the bank or banks, if any, designated pursuant to this Bond Indenture to receive and disburse the principal of and interest on the Bonds.

"Payment Date" means each Interest Payment Date and each Principal Payment Date.

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, limited liability company, public body, agency or political subdivision thereof or any other similar entity.

"Principal Payment Date" means the date on which a principal payment, whether at maturity or pursuant to a mandatory sinking fund amortization, is due on the Bonds.

"Project" means all personal and real property to be financed or refinanced in whole or in part, and whether directly or indirectly, with the proceeds of the Bonds.

"Project Fund" means the fund by that name created in Section 3.2 hereof.

"Property, Plant and Equipment" has the meaning specified in the Master Indenture.

"Purchase Contract" means the Bond Purchase Agreement dated June 18, 2009, among Merrill Lynch & Co., as representative of the Underwriters, the Authority and the Borrower, providing for the sale of the Bonds.

"Qualified Investments" means, subject to the Tax Exemption Agreement, any of the following, if and to the extent that the same are at the time legal for investment of funds of the Authority:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or "Ginnie Mae")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations
   (not acceptable for certain cash-flow sensitive issues.)

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
   U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
   Senior debt obligations

2. Student Loan Marketing Association (SLMA or "Sallie Mae")
   Senior debt obligations

3. Resolution Funding Corp. (REFCORP) obligations

4. Farm Credit System
   Consolidated system-wide bonds and notes

D. Money market funds which may be managed or advised by the Bond Trustee or affiliates registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements.

H. Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

K. Repurchase Agreements must follow the following criteria:

1. Repos must be between the municipal entity and a dealer bank or securities firm

   a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor's and Moody's, or

   b. Banks rated "A" or above by Standard & Poor's and Moody's.

2. The written repo contract must include the following:

a. Securities which are acceptable for transfer are:

(l) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

b. The term of the repo may be up to 30 days

c. The collateral must be delivered to the trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral

(l) The securities must be valued weekly, market-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

3. Legal opinion which must be delivered to the Issuer to the effect that the repo meets guidelines under state law for legal investment of public funds.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

"Rating Agency" means, as applicable, Moody's, Standard & Poor's and Fitch or their respective successors and assigns.

"Rebate Fund" means the fund by that name created by the Tax Exemption Agreement.

"Record Date" means the fifteenth day (whether or not a Business Day) next preceding an Interest Payment Date therefor.

"Redemption Fund" means the fund by that name created in Section 4.6 hereof.

"Representation Letter" means the Blanket Issuer Letter of Representations dated January 24, 1996, from the Authority to DTC.

"Reserve Requirement" means $8,585,000.

"Revenue Fund" means the fund by that name created in Section 4.2 of this Bond Indenture.

"Series 2009B Obligation" means that certain Health First Obligated Group – Health First, Inc. Obligation No. 12 (2009B Financing) dated July 1, 2009.

"Series 2009B Supplement" means that certain Supplemental Indenture No. 12 dated as of July 1, 2009 between the Members of the Obligated Group and the Master Trustee.

"Special Record Date" means the date fixed by the Bond Trustee pursuant to Section 2.2 hereof for the payment of Defaulted Interest.

"Standard & Poor's" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency which has been designated by the Borrower by notice to the Bond Trustee and the Authority.

"State" means the State of Florida.

"Substitute Obligation" has the meaning specified in Section 9.1 hereof.

"Tax Exemption Agreement" means the Tax Exemption Agreement and Certificate relating to the Bonds dated as of July 1, 2009, between the Borrower and the Authority.

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

"Unassigned Rights" means the right of the Authority to receive payment of its fees and expenses, the Authority's right to indemnification in certain circumstances, the Authority's right to execute and deliver supplements and amendments to the Loan Agreement, the Authority's right to grant consents under the Loan Agreement and the Authority's right to exercise the same rights of discretion as are granted to the Master Trustee under the Master Indenture.

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

"Written Request" means with reference to the Authority, a request in writing signed by the Executive Director of the Authority and, with reference to the Borrower, means a request in writing signed by the President or a Vice President of the Borrower or any other officers designated in writing by the Authority or the Borrower, as the case may be. "Written Requests" to requisition amounts deposited in the Expense Fund or Project Fund shall be in substantially the form of Exhibit B hereto.

ARTICLE IV
REVENUES AND FUNDS

SECTION 4.1. SOURCE OF PAYMENT OF BONDS. The Bonds herein authorized and all payments to be made by the Authority thereon and into the various Funds established under this Bond Indenture are not general obligations of the Authority but are special limited obligations payable solely from payments or prepayments upon the Series 2009B Obligation, other amounts payable under the Loan Agreement pledged hereunder (it being understood that such pledged payments do not include the fees and expenses of the Authority and amounts payable to the Authority as indemnification under certain circumstances), amounts on deposit in the Funds created hereunder (other than the Rebate Fund).

SECTION 4.2. REVENUE FUND. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Revenue Fund – Health First, Inc." (hereinafter called the "Revenue Fund"). The Revenue Fund shall be held by the Bond Trustee. All payments upon the Series 2009B Obligation and under the Loan Agreement, as and when received by the Bond Trustee, shall be deposited in the Revenue Fund and shall be held therein until disbursed as herein provided. Pursuant to the assignment and pledge of payments upon the Series 2009B Obligation and under the Loan Agreement set forth in the granting clauses contained herein, the Authority will direct the Borrower to make payments upon the Series 2009B Obligation and under the Loan Agreement directly to the Bond Trustee when and as the same become due and payable under the terms of the Series 2009B Obligation and the Loan Agreement.

SECTION 4.3. INTEREST FUND.

(a) The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Interest Fund – Health First, Inc." (hereinafter called the "Interest Fund"). The Interest Fund shall be held by the Bond Trustee.

(b) Not later than the second Business Day preceding each April 1 and October 1, commencing with October 1, 2009, the Bond Trustee shall deposit in the Interest Fund from moneys in the Revenue Fund an amount which, together with any moneys already on deposit in the Interest Fund and available to make such payment, will not be less than the amount of interest to become due on the Bonds on the next succeeding Interest Payment Date. No deposit pursuant to this paragraph need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the Interest Fund.

(c) Except as provided in this paragraph, in Section 7.6 or Section 8.2 hereof and in the Tax Exemption Agreement, moneys in the Interest Fund shall be used solely to pay interest on the Bonds when due. The Bond Trustee shall at all times maintain accurate records of deposit into the Interest Fund and the sources and dates of such deposits.

SECTION 4.4. BOND SINKING FUND.

(a) The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Bond Sinking Fund – Health First, Inc." (hereinafter called the "Bond Sinking Fund"). The Bond Sinking Fund shall be held by the Bond Trustee.

(b) Not later than the second Business Day preceding each April 1, commencing with April 1, 2031, after making the deposits required by Section 4.3, hereof, the Bond Trustee shall deposit in the Bond Sinking Fund from moneys in the Revenue Fund an amount which will be not less than the amount of principal to become due on the Bonds on the next succeeding Principal Payment Date, whether by maturity or by mandatory Bond Sinking Fund redemption. No deposit pursuant to this paragraph need be made if and to the extent that there is a sufficient amount already on deposit and available for such purpose in the Bond Sinking Fund.

(c) Except as provided in this paragraph, in Sections 7.6 or 8.2 hereof and in the Tax Exemption Agreement, moneys in the Bond Sinking Fund shall be used solely for the payment of principal of the Bonds as the same shall become due and payable at maturity and to redeem the Bonds in accordance with the mandatory Bond Sinking Fund redemption schedule provided in Section 5.1 hereof. The Bond Trustee shall at all times maintain accurate records of deposits into the Bond Sinking Fund, and the sources and dates of such deposits.

(d) In lieu of such mandatory Bond Sinking Fund redemption the Bond Trustee may, at the written request of the Borrower, purchase an equal principal amount of Bonds with the same Maturity Date in the open market at prices not exceeding the principal amount of the Bonds being purchased plus accrued interest. In addition, the amount of Bonds to be redeemed on any date pursuant to the mandatory Bond Sinking Fund redemption schedule shall be reduced by the principal amount of Bonds with the same Maturity Date which are acquired by the Borrower and delivered to the Bond Trustee for cancellation.

SECTION 4.5. DEBT SERVICE RESERVE FUND. The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate fund to be known as the "Debt Service Reserve Fund - Health First, Inc." (the "Debt Service Reserve Fund"). Except for amounts in excess of the Reserve Requirement, moneys on deposit in the Debt Service Reserve Fund shall be used only to make up any deficiencies in the Interest Fund and the Bond Sinking Fund (in that order).

Except as otherwise provided in this Section 4.5, moneys in the Debt Service Reserve Fund are required to be maintained in an amount equal to the Reserve Requirement. Moneys on deposit in the Debt Service Reserve Fund shall be invested in Qualified Investments. Qualified Investments in the Debt Service Reserve Fund shall be valued by the Bond Trustee on April 1 of each year. If at the time of any valuation the amount on deposit in the Debt Service Reserve Fund is less than 90% of the Reserve Requirement as a result of a decline in the market value of investments in the Debt Service Reserve Fund, the Loan Agreement requires the Borrower to deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to the Reserve Requirement within not more than 120 days following the date on which the Borrower receives notice of such deficiency. If at the time of any valuation the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Reserve Requirement as a result of the Debt Service Reserve Fund having been drawn upon as provided in this Bond Indenture, the Loan Agreement requires the Borrower to pay the amount which was withdrawn to the Bond Trustee in not more than 12 substantially equal monthly payments beginning with the first day of the first month after the month in which such draw occurred.

In lieu of or in substitution for maintaining and depositing moneys in the Debt Service Reserve Fund, the Borrower may deliver to the Bond Trustee for deposit in the Debt Service Reserve Fund a letter of credit, surety bond, non-callable insurance policy or similar instrument issued by a domestic or foreign bank, insurance company or other financial institution whose debt obligations are rated in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by Standard & Poor's, Fitch or Moody's, and which is acceptable to the Bond Insurer (which acceptance cannot be unreasonably withheld) in a face amount equal to all or any portion of the Reserve Requirement. Any such letter of credit, surety bond, insurance policy or similar instrument shall (1) be issued in the name of the Bond Trustee, (2) contain no restrictions on the ability of the Bond Trustee to receive payment thereunder other than a certification by the Bond Trustee that the funds drawn thereunder are to be used for the purposes set forth in the preceding paragraphs, (3) be for a term of at least five (5) years from the date of issuance, (4) provide that the obligation to reimburse the issuer thereof is subordinate to the obligation to pay debt service on the Bonds, and (5) provide that the Bond Trustee shall receive payment thereunder prior to any expiration or termination thereof and whenever moneys are required for the purposes for which Debt Service Reserve Fund moneys may be applied. If at any time the ratings on debt obligations of the issuer of the letter of credit, surety bond, non-callable insurance policy or similar instrument fall below the requirements set forth in this paragraph, the Borrower shall deliver to the Bond Trustee on or before the earlier of the date which is six (6) months prior to the expiration of such surety bond, insurance policy or similar instrument or the date which is twelve (12) months from the date such issuer's debt obligations were downgraded, (1) a surety bond, non-callable insurance policy or similar instrument meeting the requirements of this paragraph and/or (2) cash or Qualified Investments which, in aggregate, equal the Reserve Requirement. Six (6) months prior to the

expiration date of any surety bond, non-callable insurance policy or similar instrument deposited in the Debt Service Reserve Fund pursuant to this paragraph, the Borrower shall deliver to the Bond Trustee a substitute surety bond, non-callable insurance policy or similar instrument meeting the requirements of this paragraph and/or cash or Qualified Investments which, in aggregate, equal the Reserve Requirement.

If the Borrower elects to deposit a letter of credit, surety bond, insurance policy or similar instrument in the Debt Service Reserve Fund in lieu of or in substitution for moneys on deposit therein, the Bond Trustee shall return to the Borrower from the Debt Service Reserve Fund moneys originally deposited by the Borrower therein in an amount equal to, or Qualified Investments held therein having a market value equal to, either (i) the face amount of the letter of credit, surety bond, insurance policy or similar instrument then being deposited, or (ii) the portion of the amounts then on deposit in the Debt Service Reserve Fund deposited by the Borrower if all of the amounts on deposit therein are being released. If the Borrower elects to deposit a letter of credit, surety bond, insurance policy or similar instrument in the Debt Service Reserve Fund in lieu of moneys on deposit therein, any moneys on deposit in the Debt Service Reserve Fund which were originally proceeds of any Bonds shall be transferred to the Bond Sinking Fund to the extent necessary to make the next principal payment therefrom and then to the Redemption Fund to optionally redeem Bonds; provided, however, that if the Bond Trustee shall have received an opinion of Bond Counsel (which Bond Counsel and opinion, including the scope, form, substance and other aspects thereof are acceptable to the Bond Trustee) to the effect that the deposit of such proceeds in the Project Fund for disbursement to pay costs of a Project as permitted under the Act will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds is otherwise entitled, then the Bond Trustee shall deposit such proceeds in the Project Fund to the extent so permitted by such opinion.

SECTION 4.6. REDEMPTION FUND.

(a) The Authority shall establish with the Bond Trustee and maintain so long as any of the Bonds are outstanding a separate account to be known as the "Redemption Fund – Health First, Inc." (the "Redemption Fund"). In the event of (i) prepayment by or on behalf of the Borrower or any Member of amounts payable on the Series 2009B Obligation or under the Loan Agreement, (ii) receipt by the Bond Trustee of condemnation awards or insurance proceeds for purposes of redeeming Bonds or (iii) deposit with the Bond Trustee by the Borrower or the Authority of moneys from any other source for redeeming Bonds, except as otherwise provided in Section 4.4 of this Bond Indenture, such moneys shall be deposited in the Redemption Fund.

(b) Moneys on deposit in the Redemption Fund shall be used first to make up any deficiencies existing in the Interest Fund and the Bond Sinking Fund (in the order listed) and second for the purchase or redemption of Bonds in accordance with the provisions of Article V hereof.

SECTION 4.7. INVESTMENT OF FUNDS; INCOME.

(a) Moneys in the Revenue Fund, Interest Fund, Bond Sinking Fund, Debt Service Reserve Fund, Expense Fund, Project Fund and Redemption Fund shall be invested in Qualified Investments upon a Written Request of the Borrower filed with the Bond Trustee; provided, however, that moneys held in the Redemption Fund shall only be invested in United States Government Obligations with a term not exceeding from the earlier of 30 days from the date of investment of such moneys or the date such moneys are anticipated to be required. Absent a written request regarding investment instructions, the Bond Trustee shall invest the subject moneys in the investment vehicle in item D of the term "Qualified Investments." Such investments shall be made so as to mature on or prior to the date or dates that moneys therefrom are anticipated to be required. The Bond Trustee, when authorized by the Borrower, may trade with itself in the purchase and sale of securities for such investments; provided, however, that in no case shall any investment be otherwise than in accordance with the investment limitations contained herein and

in the Tax Exemption Agreement. The Bond Trustee shall not be liable or responsible for any loss resulting from any such investments. Any purchase or sale of securities may be accomplished through the Bond Trustee's bond department.

(b) All income derived from the investment of moneys on deposit in the following funds shall be deposited as follows:

(i) income derived from the investment of moneys on deposit in the Interest Fund, Redemption Fund, Expense Fund and the Bond Sinking Fund shall be retained in such Funds; and

(ii) income derived from the investment of moneys on deposit in the Debt Service Reserve Fund so long as the amount on deposit therein is (A) greater than the Reserve Requirement, shall be deposited to the Project Fund prior to the completion of the Project and thereafter to the Interest Fund and (B) less than the Reserve Requirement, shall be retained in the Reserve Fund; and

(iii) income derived from the investment of moneys on deposit in the Project Fund (A) prior to the completion of the Project, shall be retained n the Project Fund and (B) after completion of the Project, shall be applied in accordance with Section 3.2 hereof.

SECTION 4.8. TRUST FUNDS. All moneys received by the Bond Trustee under the provisions of this Bond Indenture shall be trust funds under the terms hereof for the benefit of all outstanding Bonds and shall not be subject to lien or attachment of any creditor of the Authority or the Borrower. Such moneys shall be held in trust and applied in accordance with the provisions of this Bond Indenture.

SECTION 4.9. EXCLUDED FUNDS; TRANSFERS TO REBATE FUND. The foregoing provisions of this Article IV notwithstanding, (i) the Rebate Fund shall not be considered a part of the "trust estate" created by this Bond Indenture and (ii) the Bond Trustee shall be permitted to transfer moneys on deposit in any of the trust funds established under this Article IV to the Rebate Fund in accordance with the provisions of the Tax Exemption Agreement.

ARTICLE VI
GENERAL COVENANTS

SECTION 6.1. PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. Subject to the limited source of payment hereinafter referred to, the Authority covenants that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under this Bond Indenture at the place, on the dates and in the manner provided herein and in said Bond according to the true intent and meaning thereof. The principal of and interest and premium, if any, on the Bonds are payable solely from payments or prepayments by the Borrower upon the Series 2009B Obligation and otherwise as provided herein and in the Series 2009B Obligation and under the Loan Agreement, which Series 2009B Obligation and payments thereon are hereby specifically assigned and pledged to the payment of the Bonds in the manner and to the extent herein specified, and nothing in the Bonds or in this Bond Indenture shall be considered as assigning or pledging any other funds or assets of the Authority (except the moneys, the Series 2009B Obligation and the Loan Agreement pledged under this Bond Indenture).

SECTION 6.2. PERFORMANCE OF COVENANTS; LEGAL AUTHORIZATION. The Authority 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 executed, authenticated and delivered hereunder and in all proceedings of its members pertaining thereto. The

Authority shall not be required to perform any undertaking or to execute any instrument pursuant to the provisions hereof until it shall have been requested to do so by the Borrower or the Bond Trustee, or shall have received the instrument to be executed and, at the option of the Authority, shall have received from the party requesting such performance or execution assurance satisfactory to the Authority that the Authority shall be reimbursed for its reasonable expenses incurred or to be incurred in connection with such performance or execution. The Authority represents that it is duly authorized under the Constitution and laws of the State to issue the Bonds authorized hereby, to execute this Bond Indenture, to assign the Loan Agreement and to pledge and assign the Series 2009B Obligation and payments thereon under this Bond Indenture in the manner and to the extent herein set forth; all action on its part for the issuance of the Bonds and the execution and delivery of this Bond Indenture has been taken; and the Bonds in the hands of the holders thereof as shown on the Bond Register are and will be valid and enforceable obligations of the Authority according to the import thereof.

SECTION 6.7. RIGHTS UNDER THE LOAN AGREEMENT; BOND TRUSTEE AS HOLDER OF SERIES 2009B OBLIGATION. The Authority agrees that the Bond Trustee in its own name or in the name of the Authority may enforce all rights of the Authority and all obligations of the Borrower under and pursuant to the Loan Agreement for and on behalf of the Bondholders (other than the Unassigned Rights), whether or not the Authority is in default hereunder. The Bond Trustee shall be considered the holder of the Series 2009B Obligation.

SECTION 6.9. ARBITRAGE; COMPLIANCE WITH TAX EXEMPTION AGREEMENT. The Authority covenants and agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds issued under this Bond Indenture (regardless of the source thereof and whether or not held under this Bond Indenture) or with respect to the payments derived from the Series 2009B Obligation pledged hereunder or from the Loan Agreement or any other moneys regardless of source or where held which may, notwithstanding compliance with the other provisions of this Bond Indenture, the Loan Agreement and the Tax Exemption Agreement, result in constituting the Bonds "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code. The Authority further covenants and agrees that it will comply with and take all actions required by the Tax Exemption Agreement.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

SECTION 7.1. EVENTS OF DEFAULT. Each of the following events is hereby declared an "event of default:"

(a) payment of any installment of interest on any of the Bonds (other than Obligated Group Bonds) shall not be made when the same shall become due and payable; or

(b) payment of the principal of or the redemption premiums, if any, on any of the Bonds (other than Obligated Group Bonds) shall not be made when the same shall become due and payable, either at maturity, by proceedings for redemption or through failure to make any payment to any Fund hereunder or otherwise; or

(c) any event of default as defined in Section 6.1 of the Loan Agreement or in Section 5.2 of the Master Indenture shall occur and such event of default shall be continuing from and after the date the Authority is entitled under the Loan Agreement to request that the Master Trustee declare the Series 2009B Obligation pledged and amounts due under the Loan Agreement pledged under this Bond Indenture to be immediately due and payable, or such event of default shall be continuing from and after the date on which the Master Trustee is entitled under the Master Indenture to declare the Series 2009B

Obligation immediately due and payable, or the Master Trustee shall declare the Series 2009B Obligation immediately due and payable; or

(d) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Bond Indenture or in any indenture supplemental hereto on the part of the Authority to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority, the Bond Trustee and the Borrower by the Bond Trustee, which notice the Bond Trustee may give in its discretion and must give at the request of the owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding hereunder; provided, that, if such default cannot with due diligence and dispatch be wholly cured within thirty (30) days but can be wholly cured, the failure of the Authority to remedy such default within such 30-day period shall not constitute a default hereunder if the Authority shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch; or

(e) the Authority, the Borrower or the Bond Trustee shall default in the performance of any covenant, condition, agreement or provision of the Tax Exemption Agreement, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the party in default, the Borrower by the other party; provided, that if such default cannot with due diligence and dispatch be wholly cured within thirty (30) days but can be wholly cured, the failure of the Authority, the Borrower or the Bond Trustee to remedy such default within such 30-day period shall not constitute a default hereunder if any of the foregoing shall immediately upon receipt of such notice commence with due diligence and dispatch the curing of such default and, having so commenced the curing of such default, shall thereafter prosecute and complete the same with due diligence and dispatch.

SECTION 7.2. ACCELERATION. Anything in this Bond Indenture to the contrary notwithstanding, upon the occurrence of an event of default specified in subsection (c) through (e) of Section 7.1 hereof the Bond Trustee may, without any action on the part of the Bondholders, or upon the occurrence of an event of default specified in subsection (c) through (e) of Section 7.1 hereof and the written request of the owners of not less than 25% in principal amount of the Bonds then outstanding hereunder (exclusive of Obligated Group Bonds and any Bonds the registered owner of which is the Authority), and upon being indemnified to its satisfaction as provided in Section 8.1(l) hereof, the Bond Trustee shall, or upon the occurrence and continuance of an event of default specified in subsection (a) or (b) of Section 7.1 hereof, the Bond Trustee shall, by notice in writing delivered to the Authority and the Borrower, declare the entire principal amount of the Bonds then outstanding hereunder and the interest accrued thereon immediately due and payable, and the entire principal and interest shall thereupon become and be immediately due and payable, subject, however, to the provisions of Section 7.10 hereof with respect to waivers of events of default. The Bond Trustee shall give notice thereof by first class mail, postage prepaid, to all owners of outstanding Bonds; provided, however, that the giving of such notice shall not be considered a precondition to the Bond Trustee declaring the entire principal amount of the Bonds then outstanding and the interest accrued thereon immediately due and payable. The Bonds shall cease to accrue interest on the date of acceleration if they are paid on such date.

SECTION 7.3. REMEDIES; RIGHTS OF SERIES 2009B BONDHOLDERS.

(a) Upon the occurrence of any event of default the Bond Trustee may take whatever action at law or in equity it deems necessary or desirable (i) to collect any amounts then due under this Bond Indenture, the Bonds, the Loan Agreement, the Master Indenture or the Series 2009B Obligation (ii) to enforce performance of any obligation, agreement or covenant of the Authority under this Bond Indenture

or the Bonds, of the Borrower under the Loan Agreement, the Series 2009B Obligation, or the Master Indenture, of a guarantor under any guaranty given with respect to any Bond or the Series 2009B Obligation or of the grantor of any other collateral given to secure the payment of the Bonds or the Series 2009B Obligation or (iii) to otherwise enforce any of its rights.

(b) If an event of default shall have occurred, and if it shall have been requested to do so by the holders of twenty-five percent (25%) in aggregate principal amount of the Bonds outstanding, and shall have been indemnified as provided in 8.1 hereof, the Bond Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Bond Trustee shall deem most expedient in the interests of the holders of the Bonds; provided, however, that the Bond Trustee shall have the right to decline to comply with any such request if the Bond Trustee shall be advised by counsel (who may be its own counsel) that the action so requested may not lawfully be taken or the Bond Trustee in good faith shall determine that such action would be unjustly prejudicial to the holders of the Bonds not parties to such request or would subject the Bond Trustee to personal liability.

(c) No remedy by the terms of this Bond Indenture conferred upon or reserved to the Bond Trustee (or to the holders of the Bonds) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bond Trustee or to the holders of the Bonds hereunder now or hereafter existing at law or in equity or by statute.

(d) No delay or omission to exercise any right or power accruing upon any default or event of default shall 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 such right and power may be exercised from time to time and as often as may be deemed expedient.

(e) No waiver of any default or event of default, hereunder, whether by the Bond Trustee, the holders of the Bonds, shall extend to or shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

SECTION 7.6. APPLICATION OF MONEYS.

(a) Subject to the provisions of Section 4.1 hereof and the Tax Exemption Agreement, all moneys received by the Bond Trustee, by any receiver or by any Bondholder pursuant to any right given or action taken under the provisions of this Article VII shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, including legal fees and expenses, liabilities and advances incurred or made by the Bond Trustee be deposited in the Reserve Fund, and all moneys so deposited during the continuance of an event of default (other than moneys for the payment of Bonds which have previously matured or otherwise become payable prior to such event of default or for the payment of interest due prior to such event of default), together with all moneys in the Funds maintained by the Bond Trustee under Articles III and IV hereof, shall be applied as follows:

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

First: To the payment of amounts, if any, payable pursuant to the Tax Exemption Agreement;

Second: 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

Third: To the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than the Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Indenture), and, if the amount available shall not be sufficient to pay in full the Bonds, then to the payment ratably, according to the amount of principal due 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:

First: To the payment of amounts, if any, payable pursuant to the Tax Exemption Agreement; and

Second: To the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege.

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

(b) Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Bond Trustee shall determine, having due regard for 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 notice of the deposit with it of any such moneys and of the fixing of any such date and of the Special Record Date in accordance with Section 2.2(f) hereof 10 days prior to the Special Record Date. The Bond Trustee shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all Bonds and interest thereon have been paid under the provisions of this Section 7.6 and all expenses and charges of the Bond Trustee have been paid, any balance remaining shall be paid to the Persons entitled to receive the same and then to the Borrower.

SECTION 7.7. REMEDIES VESTED IN BOND TRUSTEE. All rights of action including the right to file proof of claims under this Bond Indenture or under any of the Bonds may be enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Bond Trustee shall be brought in its name as Bond Trustee without the necessity of joining as plaintiffs or defendants any holders of the Bonds, and any recovery of judgment shall be for the equal benefit of the holders of the outstanding Bonds.

SECTION 7.8. RIGHTS AND REMEDIES OF BONDHOLDERS. No holder of any Bond shall have any right to institute any suit, action or proceedings 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 remedy hereunder, unless a default shall have become an event of default and the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding shall have made written request to the Bond Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, and unless also they have offered to the Bond Trustee indemnity as provided in Section 8.1, and unless the Bond Trustee shall thereafter fail or refuse to exercise the power 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 holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Bond Indenture by its, his, her 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 holders of all Bonds outstanding. Nothing in this Bond Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal of and interest on each of the Bonds issued hereunder to the respective holders thereof at the time and place, from the source and in the manner in said Bonds expressed.

SECTION 7.13. NOTICE OF DEFAULT; ENDORSEMENT OF SERIES 2009B OBLIGATION. In the event of any default hereunder, the Bond Trustee will promptly give written notice thereof to the Authority, the Borrower and the Master Trustee setting forth the nature of such default. In the event of a default hereunder and in the event the Authority is requested by the Bond Trustee to endorse the Series 2009B Obligation, as permitted under the Florida Uniform Commercial Code, such endorsement may, in the discretion of the Authority, be without recourse.

ARTICLE IX
SUPPLEMENTAL INDENTURES

SECTION 9.1. SUPPLEMENTAL INDENTURES NOT REQUIRING CONSENT OF BONDHOLDERS; RELEASE AND SUBSTITUTION OF SERIES 2009B OBLIGATION. The Authority and the Bond Trustee may, without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Bond Indenture, as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Bond Indenture;

(b) to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders and the Bond Trustee, or either of them;

(c) to assign and pledge under this Bond Indenture additional revenues, properties or collateral;

(d) to evidence the appointment of a separate bond trustee or the succession of a new bond trustee hereunder;

(e) to modify, amend or supplement this Bond Indenture or any indenture supplemental hereto in such manner as to permit the qualification of this Bond Indenture under the Trust Indenture Act of 1939, as then amended, or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States of America;

(f) to modify, amend or supplement this Bond Indenture or any indenture supplemental hereto in such manner as to permit the issuance of coupon Bonds of any Series hereunder and to permit the exchange of Bonds from fully registered form to coupon form and vice versa;

(g) to provide for the refunding or advance refunding of the Bonds, including the right to establish and administer an escrow fund and to take related action in connection therewith;

(h) to modify, amend or supplement this Bond Indenture or any indenture supplemental hereto in such manner as to permit certificated Bonds;

(i) to modify, amend or supplement this Bond Indenture or any indenture supplemental hereto in such manner as to permit continued compliance with the Tax Exemption Agreement; or

(j) to modify, amend or supplement the provisions hereof in any other way which the Bond Trustee has determined (which determination may be based on such opinions of Independent Counsel and factual certificates as the Bond Trustee deems necessary) does not materially adversely affect the rights or interests of any Bondholder. The Bond Trustee shall be entitled to rely upon an opinion of Bond Counsel in reaching the determination pursuant to this paragraph (j).

The Authority and the Bond Trustee may not enter into an indenture or indentures supplemental to this Bond Indenture pursuant to paragraph (f) of this Section 9.1 unless the Authority and the Bond Trustee shall have received an Opinion of Bond Counsel to the effect that the issuance of coupon Bonds will not adversely affect the validity of such Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled.

If at any time the Borrower shall request the Authority and the Bond Trustee to consent to any amendment pursuant to subsection (i) above, the Bond Trustee shall cause notice of the proposed execution of such amendment, change or modification to the Bond Indenture to be given to each Rating Agency then maintaining a rating on the Bonds by first class mail, postage prepaid, at least 10 days prior to the execution of such amendment, change or modification to the Bond Indenture, which notice shall include a copy of the proposed amendment, change or modification. In addition, if at any time the Borrower shall request the Authority and the Bond Trustee to consent to any amendment pursuant to this Section, the Bond Trustee shall cause a copy of such amendment, change or modification to be mailed to each Rating Agency then maintaining a rating on the Bonds upon the execution and delivery of such amendment, change or modification.

The Authority and the Bond Trustee may also, without the consent of or notice to the owners of the Bonds, enter into an indenture or indentures supplemental to this Bond Indenture in order to permit the delivery of substitutes for the Series 2009B Obligation should the Borrower and any other then Obligated Issuers of the Obligated Group become members of a different obligated group under a different master trust indenture. The substitution will not be effective unless the Bond Trustee has mailed written notice of the proposed transaction to the registered owners of all Outstanding Bonds not less than 30 days prior to its consummation and the Bond Trustee has received (i) written confirmation from Standard & Poor's and Moody's that, upon consummation of the proposed transactions, all of the Bonds will be rated at the level at which they are rated immediately prior thereto or better, (ii) an Opinion of Bond Counsel to the effect that the proposed transactions will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would

otherwise be entitled, and (iii) an unconditional assumption of the indebtedness represented by the Series 2009B Obligation by the members of the new obligated group. Upon satisfaction of the conditions set forth above, the Bond Trustee shall accept a note or other comparable instrument issued under the new master trust indenture to secure indebtedness of members of the new obligated group in order to secure the Bonds and shall cancel and return the Series 2009B Obligation and, upon such acceptance and substitution, there shall be made such amendments hereto as may be appropriate to reflect the fact that remedies upon the occurrence of an event of default are to be exercised by the new master trustee (or its successor under the new master trust indenture) for the benefit of the holders of all new master trust indenture obligations (including the Bond Trustee), and to make other conforming changes in order to ensure consistency between this Bond Indenture and the new master trust indenture and to entitle the Bond Trustee to all benefits available under the new master trust indenture.

The Bond Trustee shall surrender for substitution any master note pledged hereunder to the Master Trustee in the event of the withdrawal of the Obligated Issuer which issued such master note as provided in Section 3.10 of the Master Indenture, upon presentation to the Bond Trustee prior to such surrender of the following:

(A) an original executed counterpart of a supplemental Master Indenture providing for the issuance of the substitute master note by an Obligated Issuer;

(B) an original substitute master note issued by an Obligated Issuer duly authenticated by the Master Trustee (the "Substitute Obligation");

(C) an Opinion of Counsel addressed to the Bond Trustee and the Authority (in form and substance acceptable to the Authority and not unacceptable to the Bond Trustee) to the effect that: (1) the supplemental Master Indenture has been duly authorized, executed and delivered by each Obligated Issuer, the Substitute Obligation has been duly authorized, executed and delivered by an Obligated Issuer and the supplemental Master Indenture and the Substitute Obligation are legal, valid and binding obligations of the Obligated Group, subject in each case to customary exceptions for bankruptcy, insolvency and other laws generally affecting enforcement of creditors' rights and application of general principles of equity; (2) all requirements and conditions to the issuance of the Substitute Obligation set forth in the supplemental Master Indenture have been complied with and satisfied; and (3) registration of the Substitute Obligation under the Securities Act of 1933, as amended, is not required or, if registration is required, the Substitute Obligation has been so registered;

(D) an Opinion of Bond Counsel that the surrender of the master note pledged hereunder and the acceptance by the Bond Trustee of the Substitute Obligation will not adversely affect the validity of the Bonds or any exemption for the purposes of federal income taxation to which interest on the Bonds would otherwise be entitled; and

(E) such other opinions and certificates as the Bond Trustee may reasonably require, together with such reasonable indemnities as the Bond Trustee may request.

The Bond Trustee shall give immediate written notice to the Authority of any request to surrender a master note pursuant hereto.

SECTION 9.2. SUPPLEMENTAL INDENTURES REQUIRING CONSENT OF BONDHOLDERS. In addition to supplemental indentures covered by Section 9.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding hereunder at the time of the execution of such indenture or supplemental indenture shall have the right, from time to time, anything contained in this Bond Indenture to the contrary notwithstanding, to consent to and approve the execution

by the Authority and the Bond Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Authority 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 or if any supplemental indenture; provided, however, that nothing in this Section or in Section 9.1 hereof contained shall permit, or be construed as permitting, (a) an extension of the stated maturity or reduction in the principal amount of, or reduction in the rate or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bonds, without the consent of the holders of such Bonds, (b) a reduction in the amount or extension of the time of any payment required to be made to or from the Interest Fund or the Bond Sinking Fund provided herein, without the consent of the holders of all the Bonds at the time outstanding, (c) the creation of any lien prior to or on a parity with the lien of this Bond Indenture, without the consent of the holders of all the Bonds at the time outstanding, (d) a reduction in the aggregate principal amount of Bonds the holders of which are required to consent to any such supplemental indenture, without the consent of the holders of all the Bonds at the time outstanding, or (e) the modification of the rights, duties or immunities of the Bond Trustee without the written consent of the Bond Trustee.

If at any time the Authority shall request the Bond Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Bond Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to the registered owners of the Bonds at their addresses as the same shall appear on the Bond Register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Bond Trustee for inspection by all Bondholders. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided in this Section. If the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding hereunder at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no holder 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 Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Bond Indenture shall be and be deemed to be modified and amended in accordance therewith.

Anything herein to the contrary notwithstanding, so long as the Obligated Group is not in default under the Loan Agreement, a supplemental indenture under this Article IX which adversely affects the rights of the Obligated Group under the Master Indenture shall not become effective unless and until the Obligated Group Agent, shall have consented in writing to the execution and delivery of such supplemental indenture. In this regard, the Bond Trustee shall cause notice of the proposed execution and delivery of any such supplemental indenture to which the Obligated Group has not already consented, together with a copy of the proposed supplemental indenture and a written consent form to be signed by the Obligated Group Agent, to be mailed by certified or registered mail to the Obligated Group Agent, at least thirty days prior to the proposed date of execution and delivery of any such supplemental indenture.

If at any time the Borrower shall request the Authority and the Bond Trustee to consent to any amendment, change or modification of this Bond Indenture pursuant to this Section 9.2, the Bond Trustee shall cause notice of the proposed execution of such amendment, change or modification to this Bond Indenture to be given to each Rating Agency maintaining a rating on the Bonds in the manner provided in Section 13.4 hereof at least 10 days prior to the execution of such amendment, change or modification to this Bond Indenture which notice shall include a copy of the proposed amendment, change or modification to this Bond Indenture.

ARTICLE X
AMENDMENTS, ETC. TO LOAN AGREEMENT

SECTION 10.1. AMENDMENTS TO THE LOAN AGREEMENT AND SERIES 2009B OBLIGATION NOT REQUIRING CONSENT. The Authority, the Borrower and the Bond Trustee may, pursuant to clauses (i) through (iv) below, without the consent of or notice to the holders of the Bonds, consent to any amendment, change or modification of the Loan Agreement and Series 2009B Obligation as may be required (i) by the provisions of the Loan Agreement and this Bond Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) for the purpose of complying with the provisions of the Tax Exemption Agreement or (iv) in connection with any other change therein which, in the judgment of the Bond Trustee (which judgment may be based on such opinions of Independent Counsel and factual certificates as the Bond Trustee deems necessary), does not materially adversely affect the rights of the Bond Trustee or the owners of the Bonds; provided, however, that nothing in this Section 10.1 shall permit, or be construed as permitting, any amendment, change or modification of the Loan Agreement or the Series 2009B Obligation that may result in anything described in the lettered clauses of Section 9.2 hereof, without the consent of each Bondholder affected.

SECTION 10.2. AMENDMENTS TO THE LOAN AGREEMENT AND SERIES 2009B OBLIGATION REQUIRING CONSENT OF BONDHOLDERS. Except for the amendments, changes or modifications as provided in Section 10.1 hereof, neither the Authority nor the Bond Trustee shall consent to any other amendment, change or modification of the Loan Agreement or the Series 2009B Obligation without the written approval or consent of the holders of not less than a majority in aggregate principal amount of the Bonds which are outstanding hereunder at the time of execution of any such amendment, change or modification; provided, however, that no such amendment, change or modification shall ever affect the obligation of the Borrower to make payments on the Series 2009B Obligation as they become due and payable. If at any time the Authority or the Borrower 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 mailed in the same manner as provided by Section 9.2 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal office of the Bond Trustee for inspection by all Bondholders. The Bond Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to mail such notice, and any such failure shall not affect the validity of such amendment, change or modification when consented to and approved as provided in this Section. If the holders of not less than a majority in aggregate principal amount of the Bonds outstanding hereunder at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no holder 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 Authority from executing the same or from taking any action pursuant to the provisions thereof.

If at any time the Borrower shall request the Authority and the Bond Trustee to consent to any amendment, change or modification of the Loan Agreement pursuant to this Section 10.2, the Bond Trustee shall cause notice of the proposed execution of such amendment, change or modification to the Loan Agreement to be given to each Rating Agency maintaining a rating on the Bonds, in the manner provided in Section 13.4 hereof at least 10 days prior to the execution of such amendment, change or modification to the Loan Agreement, which notice shall include a copy of the proposed amendment, change or modification to the Loan Agreement.

SECTION 10.3. NO AMENDMENT MAY ALTER SERIES 2009B OBLIGATION. Except as provided in Sections 10.1 and 10.2 hereof, under no circumstances shall any amendment to the

Loan Agreement alter the Series 2009B Obligation or the payments of principal and interest thereon, without the consent of the owners of all the Bonds outstanding.

ARTICLE XI
SATISFACTION OF THIS BOND INDENTURE

SECTION 11.1. DEFEASANCE. If the Authority shall pay or provide for the payment of the entire indebtedness on all Bonds outstanding (including, for the purpose of this Article, any Bonds held by the Borrower) in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on all Bonds outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys, in an amount sufficient to pay or redeem (when redeemable) all Bonds outstanding (including the payment of premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested in Government Obligations which are not prepayable or callable prior to the date the moneys therefrom are anticipated to be required in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds outstanding at or before their respective maturity dates (it being understood that the investment income on such Government Obligations may be used for any other purpose under the Act);

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds outstanding; or

(d) by depositing with the Bond Trustee, in trust, cash and/or Government Obligations which are not prepayable or callable prior to the date the moneys therefrom are anticipated to be required in such amount as the Bond Trustee shall determine, in sole reliance on a certificate, opinion or report of a nationally recognized firm of certified public accounts, will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof and any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on all Bonds at or before their respective maturity dates;

and if the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case this Bond Indenture and the estate and rights granted hereunder shall cease, determine and become null and void, and thereupon the Bond Trustee shall, upon Written Request of the Authority, and upon receipt by the Bond Trustee, of an Officer's Certificate of the Borrower and an opinion of Independent Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of this Bond Indenture have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging this Bond Indenture and the lien hereof. The satisfaction and discharge of this Bond Indenture shall be without prejudice to the rights of the Bond Trustee to charge and be reimbursed by the Authority, the Borrower for any expenditures which it may thereafter incur in connection herewith.

All moneys, funds, securities, or other property remaining on deposit in the Expense Fund, Revenue Fund, Interest Fund, Bond Sinking Fund, Project Fund or Redemption Fund or in any other fund or investment under this Bond Indenture (other than said Government Obligations or other moneys deposited in trust as above provided and amounts held pursuant to Section 13.2 hereof) shall, upon the full satisfaction of this Bond Indenture, forthwith be transferred, paid over and distributed to the Authority and the Borrower, as their respective interests may appear.

The Authority, the Borrower may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority, the Borrower may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

ARTICLE XIII
MISCELLANEOUS

SECTION 13.4. NOTICES. Except as otherwise provided in this Bond Indenture, all notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when in writing and mailed by first class mail, postage prepaid, with proper address as indicated below. Any of such parties may, by written notice given by such party to the others, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Bond Indenture. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Authority:	Brevard County Health Facilities Authority 4420 S. Washington Avenue Titusville, Florida 32780 Attention: Angela A. Abbott Telephone No. 321/264-0334 Telecopy No. 321/269-6840
To the Borrower:	Health First, Inc. 6450 South US Highway 1 Rockledge, Florida 32955 Attention: Chief Financial Officer Telephone No. 321/434-4363 Telecopy No. 321/434-4272
To the Bond Trustee:	Wells Fargo Bank, N.A. 301 E. Pine Street, Suite 1150 Orlando, Florida 32801 Attention: Corporate Trust Department Telephone No. 407/514-2568 Telecopy No. 407/514-2575
To Moody's:	Moody's Investors Service 7 World Trade Center 250 Greenwich Street, 23rd Floor New York, New York 10007 Attention: Municipal Structured Finance Group
To Standard and Poor's:	Standard and Poor's Rating Services 55 Water Street, 38th Floor New York, New York 10041

To the Master Trustee: Wells Fargo Bank, N.A.
301 E. Pine Street, Suite 1150
Orlando, Florida 32801
Attention: Corporate Trust Department
Telephone No. 407/514-2568
Telecopy No. 407/514-2575

The Bond Trustee shall give Immediate Notice to each owner of Bonds of any change in the addresses of the Bond Trustee.

APPENDIX F

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This DISCLOSURE DISSEMINATION AGENT AGREEMENT (the "Disclosure Agreement"), dated as of July 1, 2009 is executed and delivered by HEALTH FIRST, INC., as representative of the Obligated Group (hereinafter defined) ("Health First" or the "Obligated Person"), and DIGITAL ASSURANCE CORPORATION, L.L.C., as the Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC"), in connection with the issuance by the Brevard County Health Facilities Authority of its $85,850,000 Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project) (the "Bonds") in order to provide certain continuing disclosure with respect to the Bonds for the benefit of the holders thereof and in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of Health First for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by Health First and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Combined Group" shall have the meaning set forth in the Official Statement.

"Disclosure Representative" means the Senior Vice President of Finance of Health First, the Controller of Health First, his or her designee, or such other person as Health First shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by Health First pursuant to Section 9 hereof.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees,

depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

"Notice Event" means an event listed in Sections 4(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board (http://emma.msrb.org/) established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Obligated Group" shall have the meaning set forth in the Official Statement.

"Official Statement" means that Official Statement dated June 18, 2009, relating to the Bonds.

"Repository" means the MSRB and the State Depository (if any).

"Restricted Affiliates" shall have the meaning set forth in the Official Statement.

"State Depository" means any public or private depository or entity designated by the State of Florida as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan
   1445 First National Building
   Detroit, Michigan 48226-3517
   Phone: (313) 963-0420
   Fax: (313) 963-0943
   http://www.macmi.com
   Email for filings: mac@macmi.com

2. Municipal Advisory Council of Texas
   P.O. Box 2177
   Austin, Texas 78768-2177
   Phone: (512) 476-6947
   Fax: (512) 476-6403
   http://www.mactexas.com
   Email for filings: mac@mactexas.com

3. Ohio Municipal Advisory Council
   9321 Ravenna Road, Unit K
   Twinsburg, Ohio 44087-2445
   Phone: (330) 963-7444
   Toll-free: (800) 969-OMAC (6622)
   Fax: (330) 963-7553
   http://www.ohiomac.com
   http://www.ohiosid.com
   Email for filings: sid_filings@ohiomac.com

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by Health First pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) Health First shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than 30 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB and the State Depository (if any) not later than one-hundred eighty (180) days after the end of each fiscal year of Health First, commencing with the fiscal year ending September 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind Health First of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that Health First will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) In addition to the Annual Report required to be filed pursuant to subsection (a), Health First shall, or shall cause the Dissemination Agent to, not later than forty-five (45) days after the end of each of the first three quarters of Health First's fiscal year (which fiscal year as of the date hereof ends September 30), and not later than ninety (90) days after the end of the fourth fiscal quarter, commencing with September 30, 2009, shall provide to each Repository, unaudited financial information for the Combined Group for such fiscal quarter prepared by Health First, including a balance sheet, a statement of changes in net assets and a statement of operations.

(d) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and Health First irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(e) If Audited Financial Statements of the Combined Group are prepared but not available prior to the Annual Filing Date, Health First shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, for filing with the MSRB and the State Depository (if any).

(f) The Disclosure Dissemination Agent shall:

(i) determine the name and address of each Repository each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB and the State Depository, (if any);

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB and the State Depository (if any);

(iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);

2. "Non-Payment related defaults," pursuant to Sections 4(c) and 4(a)(2);

3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);

4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);

5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);

6. "Adverse tax opinions or events affecting the tax-exempt status of the security," pursuant to Sections 4(c) and 4(a)(6);

7. "Modifications to rights of securities holders," pursuant to Sections 4(c) and 4(a)(7);

8. "Bond calls," pursuant to Sections 4(c) and 4(a)(8);

9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);

10. "Release, substitution, or sale of property securing repayment of the securities," pursuant to Sections 4(c) and 4(a)(10);

11. "Ratings changes," pursuant to Sections 4(c) and 4(a)(11);

12. "Failure to provide annual financial information as required," pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;

13. "Other material event notice (specify)," pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

(v) provide Health First evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(g) Health First may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports. Each Annual Report shall contain the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") as described in the Official Statement shall be included in the Annual Report. Unaudited financial statements, prepared in accordance with GAAP shall be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d); and

(b) An update of the following portions of Appendix A to the Official Statement ("Appendix A"):

(i) A list of the members of the Obligated Group and the entities designated as Restricted Affiliates;

(ii) Number of licensed and staffed acute care beds for Holmes, CCH and PBH and Viera Hospital, when available;

(iii) The table under the heading "HISTORICAL UTILIZATION AND OCCUPANCY—Utilization Statistics for the Hospitals" on page A-22 of Appendix A;

(iv) The table under the heading "HISTORICAL UTILIZATION AND OCCUPANCY—Utilization Statistics for the Combined Group" on page A-23 of Appendix A;

(v) The tables under the heading "SELECTED FINANCIAL INFORMATION ABOUT THE COMBINED GROUP," entitled "Sources of Gross Patient Revenue," "Consolidated Summary of Revenues and Expenses," "Actual and Pro Forma Debt Service Coverage Ratios" (except that no pro forma debt service coverage shall be furnished), "Cash and Investments," "Liquidity" and "Capitalization" on pages A-24 through A-29.

(c) Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which Health First is an "obligated person" (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. Health First will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Bonds constitutes a Notice Event:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of Bond holders;

(viii) Bond calls;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds;

(xi) Rating changes on the Bonds;

(xii) Failure to provide annual financial information as required; and

(xiii) Other material event notice (specify) _____.

Health First shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that Health First desires to make, the written authorization of Health First for the Disclosure Dissemination Agent to disseminate such information, and the date Health First desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify Health First or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that Health First desires to make, the written authorization of Health First for the Disclosure Dissemination Agent to disseminate such information, and the date Health First desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by Health First as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and the MSRB.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), Health First shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. Health First acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to Health First, and that the failure of the Disclosure Dissemination Agent to so advise Health First shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. Health First acknowledges and understands that the duties of the Disclosure Dissemination Agent relate

exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) Health First may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent Health First from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If Health First chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, Health First shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of Health First and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when Health First is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. Health First has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. Health First may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of Health First or DAC, Health First agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, Health First shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to Health First.

SECTION 10. Remedies in Event of Default. In the event of a failure of Health First or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent Health First has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The

Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by Health First and shall not be deemed to be acting in any fiduciary capacity for Health First, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for Health First's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether Health First has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of Health First at all times.

HEALTH FIRST AGREES TO INDEMNIFY AND SAVE THE DISCLOSURE DISSEMINATION AGENT AND ITS RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS, HARMLESS AGAINST ANY LOSS, EXPENSE AND LIABILITIES WHICH THEY MAY INCUR ARISING OUT OF OR IN THE EXERCISE OR PERFORMANCE OF THEIR POWERS AND DUTIES HEREUNDER, INCLUDING THE COSTS AND EXPENSES (INCLUDING ATTORNEYS FEES) OF DEFENDING AGAINST ANY CLAIM OF LIABILITY, BUT EXCLUDING LIABILITIES DUE TO THE DISCLOSURE DISSEMINATION AGENT'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

The obligations of Health First under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by Health First.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, Health First and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both Health First and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither Health First nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to Health First. No such amendment shall become effective if Health First shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of Health First, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure 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.

The Disclosure Dissemination Agent and Health First have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By:_____
Name:_____
Title:_____

HEALTH FIRST, INC.

By:_____
Robert C. Galloway
Senior Vice President, Finance

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Brevard County Health Facilities Authority
Obligated Person(s)	Health First, Inc.
Name of Bond Issue:	Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project)
Date of Issuance:	_____, 2009
Date of Official Statement:	_____, 2009
CUSIP Number:	

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer	Brevard County Health Facilities Authority
Obligated Person(s)	Health First, Inc.
Name of Bond Issue:	Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project)
Date of Issuance:	_____, 2009
Date of Official Statement:	_____, 2009

NOTICE IS HEREBY GIVEN that Health First has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement, dated as of July ___, 2009 between Health First and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. Health First has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of Health First

_____

cc: Obligated Person

EXHIBIT C

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Corporation's and/or Other Obligated Person's Name:

HEALTH FIRST, INC.

Corporation's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

_____

Number of pages of attached material event notice: _____

Description of Material Events Notice (Check One):

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 financial difficulties
5. ___Substitution of credit or liquidity providers, or their failure to perform
6. ___Adverse tax opinions or events affecting the tax-exempt status of the security
7. ___Modifications to rights of securities holders
8. ___Bond calls
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the securities
11. ___Rating changes
12. ___Failure to provide annual financial information as required
13. ___Other material event notice (specify)

_____

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

_____

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

Please print the material event notice attached to this cover sheet in 10-point type or larger, The cover sheet and notice may be submitted at http://emma.msrb.org/**. Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice.**

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A., WITH RESPECT TO THE SERIES 2009B BONDS

Upon delivery of the Series 2009B Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, propose to render its opinion with respect to such Series 2009B Bonds in substantially the following form:

July 1, 2009

Brevard County Health
Facilities Authority
Titusville, Florida

Members:

In the capacity of Bond Counsel we have examined a record of proceedings relating to the issuance by the Brevard County Health Facilities Authority (the "Authority") of its $85,850,000 aggregate principal amount of Health Facilities Revenue Bonds, Series 2009B (Health First, Inc. Project) (the "Series 2009B Bonds"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

The Series 2009B Bonds are issued under and pursuant to Part III, Chapter 154, Florida Statutes, as amended, and other applicable provisions of law (the "Act"), and pursuant to a Bond Trust Indenture, dated as of July 1, 2009 (the "Indenture") between the Authority and Wells Fargo Bank, N.A., as bond trustee (the "Trustee").

The Series 2009B Bonds are being issued to (1) finance and refinance the cost of acquisition, construction, installation and equipping of certain capital improvements to the Obligated Group's (as hereinafter defined) health facilities, (2) fund a debt service reserve fund and (3) pay related expenses incurred in connection with the issuance of the Series 2009B Bonds.

The Series 2009B Bonds are payable from and secured solely by a pledge of and lien upon the "trust estate" (as defined in the granting clauses of the Indenture), including loan repayments made by Health First, Inc. (the "Borrower") to the Authority pursuant to that certain Loan Agreement, dated as of July 1, 2009, between the Authority and the Borrower (the "Loan Agreement"). Pursuant to the Loan Agreement, the Borrower (i) agrees to make loan payments sufficient to pay, among other obligations, the principal of and interest on the Series 2009B Bonds, when due, and to make any required deposits into certain funds established by the Indenture and (ii) expressly assumes the performance of all of the Authority's obligations under the Indenture. The Borrower has,

in order to further secure its obligation to make payments under the Loan Agreement, issued its Health First Obligated Group – Health First, Inc. Obligation No. 12 (2009B Financing) (the "Series 2009B Obligation") in a principal amount equal to the aggregate principal amount of the Series 2009B Bonds. The Series 2009B Obligation is being issued pursuant to a Master Trust Indenture (Security Agreement), dated as of May 15, 2001 among Wells Fargo Bank, N.A. (as successor to SunTrust Bank), as master trustee (the "Master Trustee"), the Borrower, Holmes Regional Medical Center, Inc. ("HRMC"), and Cape Canaveral Hospital, Inc. ("CCH") (the Borrower, HRMC and CCH are collectively referred to as the "Obligated Group"), as amended and supplemented (the "Master Indenture"). The Series 2009B Obligation is being issued on parity with the other Obligations (as defined in the Master Indenture) issued, or to be issued, and outstanding under the terms of the Master Indenture and is secured by a pledge of and lien upon the Revenues (as defined in the Master Indenture) of the Obligated Group.

Neither the Authority, the State of Florida (the "State") nor any political subdivision or agency of the State shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2009B Bonds or for the performance of any pledge, obligation or agreement undertaken by the Authority, except to the extent that the trust estate created under the Indenture is sufficient therefor. No owner of any Series 2009B Bond has the right to compel any exercise of the taxing power of the State or any political subdivision or agency thereof to pay the Series 2009B Bonds or the interest thereon, and the Series 2009B Bonds do not constitute an indebtedness of the Authority within the meaning of any constitutional or statutory provision or limitation. The Authority has no taxing power.

The Series 2009B Bonds are dated and shall bear interest from their date of issue, except as otherwise provided in the Indenture. The Series 2009B Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Indenture. Interest on the Series 2009B Bonds shall be payable on April 1 and October 1 of each year, commencing October 1, 2009. The Series 2009B Bonds are subject to redemption prior to maturity in accordance with the terms of the Indenture. The Series 2009B Bonds are in the form of fully registered Series 2009B Bonds in the denomination of $5,000 or any integral multiple thereof.

Reference is made to opinions of even date of Rose & Weller, Cocoa Beach, Florida, counsel to CCH, and Victor S. Kostro, Esq., counsel to the Borrower and HRMC, with respect to various matters, including, (i) the status of CCH, HRMC and the Borrower as organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) the corporate power of the Borrower, HRMC and CCH to enter into and perform their respective obligations (as applicable) under the Master Indenture, the Loan Agreement and the Series 2009B Obligation, and (iii) the

authorization, execution and delivery of the Master Indenture, the Series 2009B Obligation and the Loan Agreement by the Borrower.

As to questions of fact material to our opinion we have relied upon representations of the Authority, the Borrower, HRMC and CCH and the certified proceedings and other certifications of appropriate officials of the Authority, the Borrower, HRMC and CCH furnished to us (including certifications as to the use of the proceeds of the Series 2009B Bonds), without undertaking to verify the same by independent investigation.

Based upon the foregoing and in reliance upon the matters hereinafter referred to, we are of the opinion that:

1. The Authority is a public body corporate and politic and a duly created and validly existing health facilities authority under the laws of the State of Florida including, particularly, the Act, and has full power and authority to enter into, execute and deliver the Indenture and the Loan Agreement and to issue and sell the Series 2009B Bonds.

2. The resolution of the Authority authorizing, among other things, the issuance and sale of the Series 2009B Bonds has been duly adopted by the Authority, and no further action of the Authority is required for their continued validity.

3. The Indenture and the Loan Agreement have each been duly authorized and approved by the Authority, have each been duly executed and delivered by the Authority, and, assuming the due authorization, execution and delivery of such documents by the other parties thereto, constitute legal, valid and binding obligations of the Authority enforceable in accordance with their respective terms.

4. The Series 2009B Bonds have been duly authorized by the Authority, duly executed by authorized representatives of the Authority, authenticated by the Trustee and validly issued by the Authority and constitute the legal, valid and binding limited obligations of the Authority enforceable in accordance with their terms and are entitled to the benefit and security of the trust estate created under the Indenture.

5. The Series 2009B Bonds and interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

6. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2009B Bonds is excluded from gross income for federal income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into

account in determining adjusted current earnings for purposes of computing such alternative minimum tax on corporations. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Authority, the Borrower, HRMC and CCH comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009B Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2009B Bonds to be so included in gross income retroactive to the date of issuance of the Series 2009B Bonds. The Authority and the Borrower have covenanted to comply with all such requirements. Ownership of the Series 2009B Bonds may result in collateral federal tax consequences to certain taxpayers and we express no opinion regarding such collateral federal tax consequences.

7. The Series 2009B Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Master Indenture and the Indenture are exempt from qualification under the Trust Indenture Act of 1939, as amended.

Except as may expressly be set forth in an opinion delivered by us to the underwriters of the Series 2009B Bonds on the date hereof (upon which only the underwriters may rely), (1) we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Official Statement or other offering material relating to the Series 2009B Bonds and we express no opinion relating thereto and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2009B Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 3 and 4 hereof are qualified to the extent that the enforceability of the Series 2009B Bonds, the Loan Agreement and the Indenture, respectively, may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization, or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof and we assume no obligation to update, raise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Series 2009B Bonds and, in our opinion, the form of the Series 2009B Bonds is regular and proper.

Respectfully submitted,

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BREVARD COUNTY HEALTH FACILITIES AUTHORITY • HEALTH FACILITIES REVENUE BONDS, SERIES 2009B (HEALTH FIRST, INC. PROJECT)

Health First

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