

LEGISLATIVE FACT SHEET

DATE: 07/20/07

BT or RC No: _____
(Administration & City Council Bills)

SPONSOR: Office of Economic Development
(Department/Division/Agency/Council Member)

Contact for all inquiries and presentation: Office of Economic Development

Provide Name: Kirk Wendland/Paul Crawford

Contact Number: 630-7063

Email Address: paulc@coj.net

PURPOSE: White Paper (Explain Why this legislation is necessary? Provide; Who, What, When, Where, How and the Impact.) Council Research will complete this form for Council introduced legislation and the Administration is responsible for all other legislation.

(Minimum of 350 words - Maximum of 1 page.)

The proposed legislation is a recommendation of the Industrial Development Revenue Bond (IRB) Committee, authorizing that the Mayor submit legislation to approve, for purposes of Section 147(f) of the Internal Revenue Code, with respect to the refunding of the outstanding Bonds for Genesis Health, Inc. d/b/a ("Brooks"). Brooks has requested that the City of Jacksonville issue its Florida Health Care Facilities Revenue Bonds ("Series 2017 Bonds") in an aggregate principal amount not to exceed \$100,000,000. The bonds issuance will be for the purpose of refunding the outstanding Jacksonville Health Care Facility Revenue Bonds (Brooks Health System), Series 2007. Approximately \$92,000,000 of the proceeds of the Series 2017 Bonds will be used to refund the outstanding Health Care Facilities Revenue and Refunding Bonds (Brooks Rehabilitation), Series 2007 (the "Refunded Bonds") that were issued to finance or refinance the acquisition, construction and installation of an administrative support building on University Boulevard South adjacent to the Brooks Rehabilitation Hospital main campus.

Approximately \$8,000,000 of the proceeds of the Series 2017 Bonds will be used to finance or reimburse the interest rate swap termination payment related to the interest rate swap entered into by Brooks on or about September 25, 2005 in contemplation of refunding the Series 2007 Bonds in order to hedge the interest rate risk in 2015 of not advance refunding the Series 2007 Bonds at that time. The swap is required to be terminated and a swap termination payment is due.

There is no City financial obligation or debt associated with this action. The City is merely acting as a conduit issuer.

APPROPRIATION: Total Amount Appropriated \$0 as follows:
 List the source name and provide Object and Subobject Numbers for each category listed below:

(Name of Fund as it will appear in title of legislation)

Name of Federal Funding Source(s)	From: _____	Amount: _____
	To: _____	Amount: _____
Name of State Funding Source(s)	From: _____	Amount: _____
	To: _____	Amount: _____
Name of City of Jacksonville Funding Source(s)	From: _____	Amount: _____
	To: _____	Amount: _____
Name of In-Kind Contribution(s)	From: _____	Amount: _____
	To: _____	Amount: _____
Name & Number of Bond Account(s)	From: _____	Amount: _____
	To: _____	Amount: _____

PLAIN LANGUAGE OF APPROPRIATION / FINANCIAL IMPACT / OTHER:

Explain: Where are the funds coming from, going to, how will the funds be used? Does the funding require a match? Is the funding for a specific time frame? Will there be an ongoing maintenance? ... and staffing obligation? Per Chapters 122 & 106 regarding funding of anticipated post-construction operation costs.

(Minimum of 350 words - Maximum of 1 page.)

<p>There is no fiscal impact or obligation to the City of Jacksonville.</p>
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ACTION ITEMS: Purpose / Check List. If "Yes" please provide detail by attaching justification, and code provisions for each.

ACTION ITEMS:

	Yes	No	
Emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Justification of Emergency: If yes, explanation must include detailed nature of emergency.</p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>
Federal or State Mandate?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Explanation: If yes, explanation must include detailed nature of mandate including Statute or Provision.</p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>
Fiscal Year Carryover?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Note: If yes, note must include explanation of all-year subfund carryover language.</p> <div style="border: 1px solid black; height: 60px; width: 100%;"></div>
CIP Amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Attachment: If yes, attach appropriate CIP form(s). Include justification for mid-year amendment.</p>
Contract / Agreement Approval?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Attachment & Explanation: If yes, attach the Contract / Agreement and name of Department (and contact name) that will provide oversight. Indicate if negotiations are on-going and with whom. Has OGC reviewed / drafted?</p> <p>The IRB Committee Resolution approved and authorized the execution of a Memorandum of Agreement . The Office of Economic Development, and the Office of General Counsel have reviewed the proposed uses and application of the proposed bond issuance.</p>
Related RC/BT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Attachment: If yes, attach appropriate RC/BT form(s).</p>
Waiver of Code?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify code section(s) in box below and provide detailed explanation (including impacts) within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Code Exception?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify code in box below and provide detailed explanation (including impacts) within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>
Related Enacted Ordinances?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<p>Code Reference: If yes, identify related code section(s) and ordinance reference number in the box below and provide detailed explanation and any changes necessary within white paper.</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div>

ACTION ITEMS CONTINUED: Purpose / Check List. If "Yes" please provide detail by attaching justification, and code provisions for each.

ACTION ITEMS:

	Yes	No
Continuation of Grant?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Explanation: How will the funds be used? Does the funding require a match? Is the funding for a specific time frame and/or multi-year? If multi-year, note year of grant? Are there long-term implications for the General Fund?

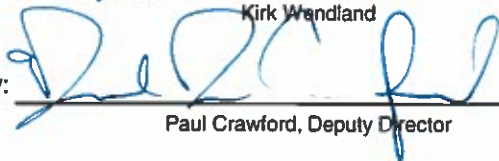
Surplus Property Certification?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reporting Requirements?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Attachment: If yes, attach appropriate form(s).

Explanation: List agencies (including City Council / Auditor) to receive reports and frequency of reports, including when reports are due. Provide Department (include contact name and telephone number) responsible for generating

Executive Director 
Kirk Wendland

Date: 7/20/2017

Prepared By: 
Paul Crawford, Deputy Director

Date: 7/20/2017

ADMINISTRATIVE TRANSMITTAL

To: MBRC, c/o Roselyn Chall, Budget Office, St. James Suite 325

Thru: N/A

(Name, Job Title, Department)

Phone: _____

E-mail: _____

From: Kirk Wendland, Executive Director, Office of Economic Development (OED)

Initiating Department Representative (Name, Job Title, Department)

Phone: 630-2455

E-mail: kwendland@coj.net

Primary Contact: Paul Crawford, Deputy Director, OED

(Name, Job Title, Department)

Phone: 630-7063

E-mail: paulc@coj.net

CC: Allison Korman Shelton, Director of Intergovernmental Affairs, Office of the Mayor

904-630-1825 E-mail: akshelton@coj.net

COUNCIL MEMBER / INDEPENDENT AGENCY / CONSTITUTIONAL OFFICER TRANSMITTAL

To: Peggy Sidman, Office of General Counsel, St. James Suite 480

Phone: 904-630-4647

E-mail: psidman@coj.net

From: _____

Initiating Council Member / Independent Agency / Constitutional Officer

Phone: _____

E-mail: _____

Primary Contact: _____

(Name, Job Title, Department)

Phone: _____

E-mail: _____

CC: Allison Korman Shelton, Director of Intergovernmental Affairs, Office of the Mayor

904-630-1825 E-mail: akshelton@coj.net

Legislation from Independent Agencies requires a resolution from the Independent Agency Board approving the legislation.

Independent Agency Action Item:

Yes

No

Boards Action / Resolution?

Attachment: If yes, attach appropriate documentation. If no, when is board action scheduled?

Industrial Revenue Bond Committee Resolution and MOU

FACT SHEET IS REQUIRED BEFORE LEGISLATION IS INTRODUCED

RESOLUTION

A RESOLUTION OF THE INDUSTRIAL DEVELOPMENT REVENUE BOND REVIEW COMMITTEE OF THE CITY OF JACKSONVILLE, FLORIDA; AUTHORIZING THE EXECUTION AND DELIVERY OF A MEMORANDUM OF AGREEMENT WITH GENESIS HEALTH, INC., A FLORIDA NOT FOR PROFIT CORPORATION ("BORROWER"), WITH RESPECT TO REFUNDING THE OUTSTANDING JACKSONVILLE HEALTH FACILITIES AUTHORITY HEALTH CARE FACILITIES REVENUE BONDS (BROOKS HEALTH SYSTEMS), SERIES 2007 AND FINANCING OR REIMBURSING A TERMINATION PAYMENT FOR AN INTEREST RATE SWAP ENTERED INTO BY BORROWER RELATING TO THE ISSUANCE OF THE BONDS DESCRIBED BELOW, BOTH FOR THE BENEFIT OF BORROWER AND ITS AFFILIATES, AND THE ISSUANCE AND SALE OF CITY OF JACKSONVILLE, FLORIDA HEALTH CARE FACILITIES REVENUE BONDS (BROOKS REHABILITATION), IN ONE OR MORE TAX-EXEMPT OR TAXABLE SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$100,000,000, FOR SUCH PURPOSES; ALL PURSUANT TO CHAPTER 159, PART II, FLORIDA STATUTES, AS AMENDED, AND OTHER APPLICABLE LAWS.

BE IT RESOLVED BY THE INDUSTRIAL DEVELOPMENT REVENUE BOND REVIEW COMMITTEE OF THE CITY OF JACKSONVILLE, FLORIDA:

SECTION I. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Chapter 104 of the Ordinance Code of the City of Jacksonville, Florida (the "City"), as amended, particularly as amended by Ordinance 2012-681-E enacted by the City Council of the City (the "Council") on February 2, 2013, which established this Industrial Development Revenue Bond Review Committee (the "Committee"); the Florida Industrial Development Financing Act, Chapter 159, Part II, Florida Statutes, as amended (the "Act"); and other applicable laws.

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

A. The City is a consolidated municipal and county political subdivision of the State of Florida, and is a local agency as defined in the Act. As such, the City is duly authorized and empowered by the Act to provide for the issuance of and to issue and sell its industrial development revenue bonds for the purpose of financing all or any part of the "cost" of any "project," including any project for a "health care facility" (as such terms are defined or used in the Act), in order to promote and foster the economic growth and development of the City and of the State, to improve health care in the City and the State, to enhance and expand industry and other economic activity in the City and the State, and to increase purchasing power and opportunities for gainful employment, to improve living conditions and health care and to advance and improve the prosperity and the welfare of the State and its inhabitants, to foster the industrial and

business development of the City and the State, and to otherwise provide for and contribute to the health, safety and welfare of the people of the City and the State.

B. Genesis Health, Inc., a Florida not for profit corporation, d/b/a Brooks Rehabilitation (the "Borrower"), has requested that the Council take official action expressing the City's intention to issue and sell its City of Jacksonville, Florida Health Care Facilities Revenue Bonds (Brooks Rehabilitation), in one or more tax-exempt or taxable series in an aggregate principal amount not to exceed \$100,000,000 (the "Bonds"), for the purpose of (i) refunding the outstanding Jacksonville Health Facilities Authority Health Care Facilities Revenue Bonds (Brooks Health Systems), Series 2007 (the "Refunded Bonds") and (ii) financing or reimbursing a termination payment for an interest rate swap (the "Termination Payment") entered into by the Borrower with Banco Bilbao Vizcaya Argentaria, S.A. on or about September 25, 2015 in contemplation of refunding the Refunded Bonds, both for the benefit of the Borrower. The refunding of the Refunded Bonds and the financing or reimbursing of the Termination Payment, including (i) paying certain capitalized interest on the Bonds, (ii) funding debt service reserves for the Bonds, if any, and (iii) paying all or a portion of the costs of issuing the Bonds is collectively referred to herein as the "Financing Project." Proceeds of the Bonds will be loaned by the City to the Borrower pursuant to a loan agreement among the City, the Borrower and one or more lenders (the "Loan Agreement"). The Borrower's obligations under the Loan Agreement will be secured by one or more master notes issued pursuant to the Master Trust Indenture dated as of December 1, 2007, between the Borrower and Regions Bank, as successor master trustee, on a parity basis with all other master notes issued thereunder. The City's rights under the Loan Agreement (with the exception of certain rights to indemnification and notices that will be retained by the City) will be assigned to secure the related series of Bonds.

C. The Refunded Bonds financed (i) the acquisition, construction and installation of an administrative support building on University Boulevard South adjacent to the Brooks Rehabilitation Hospital main campus; (ii) the refinancing of certain then-outstanding indebtedness of the Borrower which financed the acquisition of approximately 117.5 acres of unimproved land which was later used by the Borrower and its affiliates for post acute care and related health care facilities (the land is located in the City on the west side of Bartram Park Boulevard south of the intersection of Old St. Augustine Road and Bartram Park Boulevard and bounded on the west by Interstate 95); (iii) the acquisition, construction and installation of capital improvements at the Brooks Rehabilitation Hospital main campus; (iv) the refunding the then-outstanding Jacksonville Health Facilities Authority Revenue and Refunding Bonds (Genesis Rehabilitation Hospital Project), Series 1996, the proceeds of which were loaned to Genesis Rehabilitation Hospital, Inc. to (a) refund the Jacksonville Health Facilities Authority Hospital Revenue Bonds (Memorial Regional Rehabilitation Center Project), Series 1992 which financed certain capital improvements at the rehabilitation hospital, (b) finance the cost of acquiring a computer system at the main campus of the rehabilitation hospital and the cost of leasehold improvements and equipment at Genesis Rehabilitation Hospital, Inc.'s outpatient facilities at various locations, all in the City; and (v) the acquisition, construction and installation of capital improvements used to provide physical, occupational and other rehabilitation therapy at the outpatient facilities owned or operated by Genesis Health Development, Inc. in the City. The items in clauses (i) through (v) above are collectively referred to herein as the "Original Project." The proceeds of the Bonds are to be used to fund the Financing Project.

D. The Borrower has requested that the City finance or refinance the Financing Project under the Loan Agreement whereby the Borrower will be obligated to operate, repair and maintain the Project at no expense to the City, to make payments sufficient to pay the principal of and premium, if any, and interest on the Bonds when and as the same become due, and for the payment of all other costs incurred by the City in connection with the financing, construction and administration of the Project which are not paid out of the proceeds of the Bonds or otherwise; the Bonds to be secured by such obligations of the Borrower and otherwise as may be provided by the trust indenture (the "Bond Indenture") under which the Bonds will be issued and to be rated by at least one of the three major bond rating agencies "A" or better without regard to modifiers or shall otherwise meet the requirements, of Section 104.306(3) of the Ordinance Code of the City of Jacksonville; the interest on the Bonds to be issued as tax-exempt bonds to be exempt from federal income taxation; and the Bonds to be designated as bonds or notes as provided in the ordinance of the City authorizing the issuance thereof; all as permitted by the Constitution and other laws of the United States and of the State and as authorized by the Act.

E. Upon consideration of the information furnished by the Borrower and other available information, and based in part and in reliance upon the determinations and representations to be received from the City has made the following findings and determinations:

(1) The Financing Project and the financing, refinancing or reimbursing of a portion of the cost of the Financing Project by the City will be in furtherance of the purposes of the Act.

(2) The Financing Project is appropriate to the needs and circumstances of and shall make a significant contribution to the economic growth of the City, shall preserve and provide gainful employment and shall serve a public purpose by advancing the economic prosperity, the public health and the general welfare of the City and the State and its people as stated in Section 159.26, Florida Statutes, as amended.

(3) The Borrower is financially responsible based on criteria established by the Act, and the Borrower is fully capable and willing to serve the purposes of the Act and to fulfill its obligations under the proposed Loan Agreements for the Financing Project and under any other agreements to be made in connection with the issuance of the Bonds and the use of the proceeds of the Bonds for financing, reimbursing or refinancing a portion of the costs of the Financing Project, including the obligation to pay loan payments or other payments in an amount sufficient in the aggregate to pay all of the interest, principal and redemption premiums, if any, on the Bonds in the amounts and at the times required, the obligation to operate, repair and maintain the Project at the Borrower's expense, and such other responsibilities as may be imposed under such agreements.

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

(5) The costs to be paid from the proceeds of the Bonds shall be costs of a "health care facility" and costs of a "project" within the meaning of the Act.

(6) The Borrower has requested satisfactory expressions of intention from the City that, upon (i) compliance with all of the provisions of the Act, (ii) the satisfaction of all requirements of law and all conditions to be met by the Borrower and (iii) the receipt by the City of a bond approving opinion of bond counsel satisfactory to the City, the Bonds will be issued and sold and the proceeds thereof will be made available to finance, reimburse or refinance a portion of the costs of the Financing Project, and such expressions will be a substantial and important factor in the Borrower's decision to proceed with the Financing Project.

(7) A negotiated sale of the Bonds is required and necessary, and is in the best interest of the City, for the following reasons; the Bonds will be a special and limited obligation of the City payable solely out of revenues and proceeds derived by the City pursuant to the Loan Agreement and the Bond Indenture, and the Borrower will be obligated for the payment of all costs of the City in connection with the financing, construction and administration of the Financing Project which are not paid out of the proceeds of the Bonds or otherwise and for operation and maintenance of the Original Project at no expense to the City; the costs of issuing the Bonds, which will be borne directly or indirectly by the Borrower, could be greater if the Bonds are sold at public sale by competitive bids than if the Bonds are sold at negotiated sale, and a public sale by competitive bids would cause undue delay in the financing of the Financing Project; industrial development revenue bonds having the characteristics of the Bonds are typically and usually sold at negotiated sale; the Borrower has requested that a negotiated sale of the Bonds be authorized by the City; and authorization of a negotiated sale of the Bonds is necessary in order to serve the purposes of the Act.

(8) It is proposed that the City and the Borrower enter into a memorandum of agreement in the form presented at this meeting and attached hereto as Exhibit "A" (the "Memorandum of Agreement"), allowing for the Borrower as independent contractor, and not as agent for the City, to proceed with the acquisition, construction, installation and equipping of the Financing Project, all at no cost to the City pending the issuance and sale of the Bonds; for the use and application of the proceeds of sale of the Bonds to pay all or any part of the "cost" (as defined in the Act) of the Financing Project, to the extent of such proceeds; for a lease, installment sale, loan or other financing agreement between the City and the Borrower whereby the Borrower will be unconditionally obligated to operate, repair and maintain the Financing Project at no expense to the City, to make payments sufficient in the aggregate to pay all of the principal of and interest and redemption premiums, if any, on the Bonds, and to pay all other costs incurred by the City in connection with the financing, acquisition, construction, installation and administration of the Financing Project which are not paid out of the proceeds of the Bonds or otherwise; and for such other financing agreements, indentures, and related agreements as shall be necessary or appropriate.

(9) The purposes of the Act will be more effectively served if, and it is necessary and desirable and in the best interest of the City that, the Memorandum of Agreement be executed and delivered by and on behalf of the City.

(10) The Bonds shall not be deemed to constitute a debt, liability or obligation, or a pledge of the faith and credit or taxing power, of the City of Jacksonville or of the State of Florida or of any political subdivision thereof, but the Bonds shall be payable solely from the revenues and proceeds to be derived by the City from the operation or sale of the Financing Project, including payments received under the Loan Agreement.

SECTION III. AUTHORIZATION OF MEMORANDUM OF AGREEMENT. The Memorandum of Agreement in the form and with the contents presented at and filed with the minutes of this meeting, be and the same is hereby approved, and the Economic Development Officer of the City (the "Economic Development Officer") and the Chair of this Committee, or either of them, are hereby authorized and directed, in the name and on behalf of the City, to execute and deliver said Memorandum of Agreement.

SECTION IV. PUBLIC HEARING. The Economic Development Officer or his designee is appointed to conduct the public hearing required by Section 147(0 of the Code. Said hearing shall be scheduled, noticed and held upon request of the Borrower and at a time and place reasonably satisfactory to the Borrower, to be determined by the Economic Development Officer or his designee, as established by the Notice of Public Hearing. The Notice of Public Hearing shall be prepared and published in accordance with applicable requirements of the Code and the Act.

SECTION V. PRIORITY. Nothing herein shall be deemed to restrict the City, or the State or any agency or political subdivision thereof, in determining the order or priority of the issuance of any bonds or to require the City, or the State or any agency or political subdivision thereof, to give the Bonds priority as to issuance or as to the time of issuance over any other bonds previously or subsequently approved for issuance.

SECTION VI. EXPRESSION OF INTENT. This Resolution constitutes a declaration of the official intent of the City, within the contemplation of Section 1.150-2 of the Income Tax Regulations promulgated by the Department of the Treasury (the "Treasury Regulations"), to permit the Borrower to use proceeds of the Bonds to reimburse itself for planning, design, legal any other costs and expenses, including, without limitation, the costs of the acquisition, construction, installation and equipping of the Financing Project, originally paid by the Borrower with funds other than proceeds of the Bonds prior to the issuance of the Bonds (the "Advanced Funds").

All of the expenditures initially to be made with the Advanced Funds and then to be reimbursed by the Borrower from proceeds of the Bonds will be for costs of a type properly chargeable to the capital account of the Financing Project under general income tax principles or costs of issuing the Bonds. Other than any preliminary expenditures for architectural, engineering, surveying, soil testing, costs of issuing the Bonds or similar purposes that may have been paid more than sixty days prior to the date of this Resolution or any other resolution qualifying under section 1.150-2 of the Treasury Regulations, no expenditures to be reimbursed shall have been paid more than sixty days earlier than the date of this Resolution or any other resolution qualifying under section 1.150-2 of the Treasury Regulations. This limitation on reimbursement of such expenditures does not apply to expenditures paid with the proceeds of indebtedness of the Borrower to be refunded by the Bonds to the extent that such expenditures were qualified "preliminary expenditures" within the requirements of Section 1.150-2 of the Treasury Regulations with respect to such indebtedness to be refunded by the Bonds.

SECTION VII. SCOPE OF APPROVAL. It is expressly stated and agreed that the adoption of this Resolution is not a guaranty, expressed or implied, of payment of the Bonds nor a guaranty, expressed or implied, that the City shall approve the closing and issue the Bonds for the Financing Project. The Borrower shall hold the City and its past, present

and future council members, officers, staff, attorneys, financial advisors and employees harmless from any liability or claim based upon the failure of the City to close the transaction and issue the Bonds or any other cause of action arising from the adoption of this Resolution, the processing of the financing for the Financing Project or the issuance of the Bonds.

SECTION VIII. COMPLIANCE WITH OPEN MEETING LAWS. It is found and determined that all formal actions of the Industrial Development Revenue Bond Review Committee of the City concerning and relating to the adoption of this Resolution were taken in an open meeting of the members of the Industrial Development Revenue Bond Review Committee of the City and that all deliberations of the members of the City and of its committees, if any, which resulted in such formal action were taken in meetings open to the public, in full compliance with all legal requirements.

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

SECTION X. EFFECTIVE DATE. This resolution shall take effect immediately.

PASSED AND ADOPTED this 14th day of July, 2017.

INDUSTRIAL DEVELOPMENT REVENUE BOND
REVIEW COMMITTEE OF THE CITY OF
JACKSONVILLE, FLORIDA

By: *[Signature]*
Chair

ATTEST:

[Signature]
Title:

FORM APPROVED:
[Signature]
Office of the General Counsel



EXHIBIT A
FORM OF MEMORANDUM OF AGREEMENT

MEMORANDUM OF AGREEMENT

This MEMORANDUM OF AGREEMENT dated as of July 14, 2017 (this "Memorandum of Agreement"), between the CITY OF JACKSONVILLE, FLORIDA, a consolidated municipal and county political subdivision of the State of Florida (the "City"), and GENESIS HEALTH, INC., a Florida not for profit corporation (the "Borrower").

I. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this Memorandum of Agreement are the following:

(a) The City is a consolidated municipal and county political subdivision of the State of Florida and is a local agency as defined in the Florida Industrial Development Financing Act, Chapter 159, Part II, Florida Statutes, as amended (Chapter 159, Part II, Florida Statutes, as amended, being hereinafter referred to as the "Act"). As such, the City is duly authorized and empowered by the Act to provide for the financing or refinancing of all or any part of the "cost" of any "project," including any project for a "health care facility" (as such terms are defined or used in the Act).

(b) The Borrower has requested that the City Council (the "Council") take official action expressing the City's intention to issue and sell its City of Jacksonville, Florida Health Care Facilities Revenue Bonds (Brooks Rehabilitation), Series 2017, in one or more tax-exempt or taxable series in an aggregate principal amount of not to exceed \$100,000,000 (the "Bonds"), for the purpose of financing, reimbursing and refinancing a portion of the costs of the Financing Project (as defined below) for the benefit of the Borrower. The Bonds will be issued under one or more Trust Indentures between the City and the bond trustee thereunder (individually and collectively, the "Bond Indenture").

(c) Proceeds of the Bonds will be loaned by the City to the Borrower pursuant to one or more loan agreements with the Borrower (individually and collectively, the "Loan Agreement"). The Borrower's obligations under the Loan Agreement will be secured by one or more master notes issued pursuant to the Master Trust Indenture dated as of December 1, 2007, between the Borrower and Regions Bank, as successor master trustee, on a parity basis with all other master notes issued thereunder. The City's rights under the Loan Agreement (with the exception of certain rights to indemnification and notices that will be retained by the City) will be assigned to secure the Bonds.

(d) The "Financing Project" consists of (i) refunding all or a portion of the outstanding Jacksonville Health Facilities Authority Health Care Facilities Revenue Bonds (Brooks Health System), Series 2007 (the "Refunded Bonds"), the proceeds of which were used to finance or refinance (A) the acquisition, construction and installation of an administrative support building on University Boulevard South adjacent to the Brooks Rehabilitation Hospital main campus; (B) refinancing certain then-outstanding indebtedness of the Borrower which financed the acquisition of approximately 117.5 acres of unimproved land which was later used by the Borrower and its affiliates for post acute care and related health care facilities (the land is located in the City on the west side of Bartram Park Boulevard south of the intersection of Old St. Augustine Road and Bartram Park Boulevard and bounded on the west by Interstate 95); (C) the acquisition, construction and installation of capital improvements at the Brooks

Rehabilitation Hospital main campus; (D) refunding the then-outstanding Jacksonville Health Facilities Authority Revenue and Refunding Bonds (Genesis Rehabilitation Hospital Project), Series 1996, the proceeds of which were loaned to Genesis Rehabilitation Hospital, Inc. to (a) refund the Jacksonville Health Facilities Authority Hospital Revenue Bonds (Memorial Regional Rehabilitation Center Project), Series 1992 which financed certain capital improvements at the rehabilitation hospital, (b) finance the cost of acquiring a computer system at the main campus of the rehabilitation hospital and the cost of leasehold improvements and equipment at Genesis Rehabilitation Hospital, Inc.'s outpatient facilities at various locations, all in the City; and (E) the acquisition, construction and installation of capital improvements used to provide physical, occupational and other rehabilitation therapy at the outpatient facilities owned or operated by Genesis Health Development, Inc. in the City (the items in clauses (A) through (E) being collectively referred to herein as the "Original Project") and (ii) financing or reimbursing the costs of an interest rate swap termination payment relating to a swap entered into by the Borrower with Banco Bilbao Vizcaya Argentaria, S.A. on or about September 25, 2015 in contemplation of refunding the Refunded Bonds. The proceeds of the Bonds are to be used to (a) finance, reimburse or refinance the Financing Project, (b) pay certain capitalized interest on the Bonds, (c) fund debt service reserves, if any, and (d) pay all or a portion of the costs of issuing the Bonds.

(e) The Borrower has requested that the City finance or refinance the Financing Project under the Loan Agreement whereby the Borrower will be obligated to operate, repair and maintain the Original Project at no expense to the City, to make payments sufficient to pay the principal of and premium, if any, and interest on the Bonds when and as the same become due, and for the payment of all other costs incurred by the City in connection with the financing, construction and administration of the Original Project which are not paid out of the proceeds of the Bonds or otherwise; the Bonds to be secured by such obligations of the Borrower and otherwise as may be provided by the Bond Indenture and to be rated prior to issuance by one of the three major bond rating agencies at least "A" without regard to gradations or modifiers or shall otherwise meet the requirements of Section 104.306(b)(3) of the Ordinance Code of the City; and the interest on the Bonds to be issued as tax-exempt bonds to be exempt from federal income taxation; all as permitted by the Constitution and other laws of the United States and of the State and as authorized by the Act.

(f) The Borrower represents that the Financing Project constitutes a capital project for a "health care facility" and a "project" within the meaning of the Act, and that the costs to be paid from the proceeds of the Bonds shall be "costs" of a "project" within the meaning of the Act; and that the Financing Project will improve health care and provide employment in the City.

(g) The Industrial Development Revenue Bond Review Committee of the City, by resolution (the "Preliminary Resolution") duly passed and adopted by its members, has made certain findings and determinations on behalf of the City and has duly approved and authorized the execution and delivery of this Memorandum of Agreement.

(h) This Memorandum of Agreement is entered into to permit the Borrower to proceed with commitments for the Financing Project and to incur or pay costs in connection with various phases of the Financing Project and to provide a declaration of intent by the City, prior to the issuance of the Bonds, to issue and sell the Bonds and make the proceeds thereof available to

finance, reimburse or refinance all or a part of the costs of the Financing Project, to the extent of such proceeds, all in accordance with and subject to the provisions of the Constitution and other laws of the State of Florida, including the Act, the Code and Treasury Regulations Section 1.150-2 under the Code, and this Memorandum of Agreement.

2. Intentions on the Part of the City. Pursuant to and in accordance with and subject to the limitations of the Constitution and other laws of the State of Florida, including the Act, and the Code, and upon the conditions stated in this Memorandum of Agreement, the City declares its intent as follows:

(a) It will authorize the issuance and sale of one or more series of the Bonds, pursuant to the terms of the Act as then in force, for the purpose of financing or refinancing all or a portion of the costs of the Project, including reimbursement of qualified original expenditures for the Project paid prior to the issuance of the Bonds.

(b) It will, at the proper time and subject in all respects to the prior advice, consent and approval of the Borrower, adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, sale and issuance of the Bonds, the acquisition, construction, installation and equipping of the Original Project and the financing or refinancing of the Financing Project, all as shall be provided for or permitted by the Code, authorized by the Act and mutually satisfactory to the City and the Borrower. The Bonds are to be (i) issued under Bond Indenture pursuant to which the Trustee under the Bond Indenture shall receive and disburse the proceeds from the sale of Bonds, collect payments from the Borrower under the financing agreements and enforce its obligations under the financing agreements; or (ii) issued and privately placed with a commercial bank or other purchaser meeting the requirements of Section 104.306(6)(3) of the Ordinance Code of the City. The Bonds shall not be deemed to constitute a debt, liability or obligation, or a pledge of the faith and credit or taxing power, of the City or of the State of Florida or of any political subdivision thereof, but the Bonds shall be payable solely from the revenues and proceeds to be derived by the City from the operation or sale of the Original Project, including payments received under the Loan Agreement. The Bonds shall bear interest at such rate or rates, shall be payable at such times and places, shall be in such forms and denominations, shall be sold in such manner, at such price and at such time or times, shall have such provisions for redemption, shall be executed, and shall be secured as described in 1(c) above, as hereafter may be requested by the Borrower and reasonably acceptable to the City, all on terms complying with the Code, authorized by the Act and mutually reasonably satisfactory to the City and the Borrower. Prior to the issuance of the Bonds, the Bonds shall be rated by one of the three major bond rating agencies at least "A" without regard to gradations or modifiers or shall otherwise meet the requirements of Section 104.306(b)(3) of the Ordinance Code of the City of Jacksonville.

(c) The interest on the Bonds to be issued as tax-exempt bonds shall be exempt from federal income taxation, as determined on the basis of an opinion of Bond Counsel approved by the City.

3. Agreements of the Borrower. Subject to the conditions stated in the Preliminary Resolution or in this Memorandum of Agreement, the Borrower agrees, if it proceeds with the Financing Project, as follows:

(a) The Borrower will generally arrange for, manage and carry out the acquisition, construction, installation and equipping of the Original Project, it will advance its own funds for such purpose as herein provided and, to the extent that the proceeds derived from the sale of the Bonds are not sufficient to complete the Original Project and to pay all costs incurred in connection therewith and with the financing, refinancing and administration of the Project will supply all additional funds which are necessary therefor.

(b) The Borrower will make arrangements for the sale of the Bonds and shall be responsible for compliance with all applicable securities laws, including any disclosure obligations, in connection with the offering and sale thereof.

(c) Contemporaneously with the delivery of the Bonds, the Borrower will enter into the Loan Agreement, the Bond Indenture and such other agreements and related documents as shall be necessary or appropriate so that the Borrower will be obligated to operate, maintain and repair the Original Project at its own expense, to pay for the account of the City sums sufficient in the aggregate to pay all of the principal of and interest and redemption premiums, if any, on the Bonds when and as the same shall become due and payable, and to pay all other costs incurred by the City in connection with the financing, refinancing and administration of the Financing Project, except as may be paid out of the proceeds of the Bonds or otherwise.

(d) The Borrower will take such further action and adopt such proceedings as may be required to implement its undertaking hereunder.

4. General Provisions.

(a) Since it is anticipated that the acquisition, construction, installation and equipping of the Financing Project will commence prior to the sale of the Bonds and the Borrower knows and acknowledges that the City will have no funds available to pay the cost of the Financing Project other than funds derived from the sale of the Bonds, the Borrower may advance from time to time any funds necessary for the acquisition, construction, installation and equipping of the Financing Project; provided, however, that the City shall not by virtue of such advances or otherwise through this Memorandum of Agreement acquire any property interest in the Financing Project whatsoever. To the extent that the net proceeds derived from the sale of the Bonds are sufficient for such purpose, the City agrees that the Borrower may be reimbursed from such net proceeds after the issuance of the Bonds for costs of the Project incurred by the Borrower prior to the issuance of the Bonds (subject to any limitations imposed by the Code).

(b) The Borrower shall act as independent contractor, and not as agent for the City, for the acquisition, construction, installation and equipping of the Financing Project, and shall provide all services incident to the acquisition, construction, installation and equipping of the Financing Project and pay the cost thereof pending reimbursement by the City from the proceeds of the Bonds, and the City shall have no responsibility for the provision of any such services.

(c) The Borrower may engage the services of an underwriter or financial consultant or adviser and the services of bond counsel or other legal counsel in connection with the offering and sale of the Bonds; provided, however, that the City shall have no liability for the payment of any such

firm's compensation or expenses if the Bonds are not sold and issued, and if the Bonds are sold and issued the City shall be liable for the payment thereof only out of the proceeds of sale of the Bonds.

(d) The Borrower has paid the City's nonrefundable application fee and agrees to pay the City's actual out-of-pocket costs and expenses in connection with the transactions contemplated hereby, whether or not the Bonds are issued and sold, and agrees to pay the City's bond issuance fee, if any, if the Bonds are issued and sold, in which case such fees and costs and expenses may be reimbursed out of the proceeds of the sale of the Bonds.

(e) The Office of General Counsel of the City of Jacksonville, Florida, shall serve as counsel for the City, and Rogers Towers, P.A., Jacksonville, Florida, shall serve as Bond Counsel for the Borrower. The Borrower shall be responsible for the payment of all standard fees, costs and expenses of said counsel for the City and of all fees, costs and expenses of Bond Counsel, and shall pay the same whether or not the Bonds are issued and sold; provided, that if the Bonds are issued and sold such fees, costs and expenses may be paid or reimbursed out of the proceeds of the sale of the Bonds.

(f) The Bonds shall not be required to be validated pursuant to the provisions of Chapter 75, Florida Statutes, as amended, unless validation shall be deemed advisable or shall be required by Bond Counsel or the initial purchaser of the Bonds.

(g) If required by the City or its counsel, the Borrower or its counsel, or Bond Counsel, such rulings, approvals, consents, certificates of compliance, opinions of counsel and other instruments and proceedings satisfactory to, each of them, with respect to the Bonds, the Financing Project, this Memorandum of Agreement, the Loan Agreement, the Bond Indenture or any other instrument or act contemplated hereby, shall be obtained from such governmental, as well as nongovernmental, agencies and entities as may have or assert competence or jurisdiction over or interest in matters pertinent thereto, and the same shall be in full force and effect at the time of issuance of the Bonds.

(h) The intentions of the City to issue the Bonds pursuant to this Memorandum of Agreement and to use the proceeds thereof as herein contemplated are subject to the conditions that (i) the issuance of the Bonds by the City shall have been approved and authorized by a bond ordinance enacted by the City Council of the City; and (ii) on or before December 31, 2017 (or such later date as shall be mutually satisfactory to the City and the Borrower), the City and the Borrower shall have agreed to mutually acceptable terms for the Bonds and the sale and delivery thereof and mutually acceptable terms and conditions for the financing agreements and other agreements and documents referred to in Sections 2(b) and 3(c) and the proceedings referred to in Sections 2 and 3 hereof and the Bonds shall have been issued, sold and delivered; provided, however, that the Bonds may not be issued after the expiration, lapse or repeal of any authority for the issuance of the Bonds under Florida law or, to the extent that the Bonds are to be issued as tax-exempt bonds, for the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code.

(i) Regardless of whether the events set forth in paragraph (i) of this Section take place or regardless of whether the Bonds are issued as herein contemplated, the Borrower agrees to pay all costs and expenses incurred pursuant to this Memorandum of Agreement by the Borrower, the fees and expenses of any underwriter, financial consultant, counsel or adviser engaged by the Borrower, the

standard fees, costs and expenses of counsel of the City, the fees, costs and expenses of Bond Counsel, and any necessary and reasonable out-of-pocket costs and expenses incurred pursuant to this Memorandum of Agreement by the City, whereupon this Memorandum of Agreement shall terminate.

(j) All risk of loss to the Project will be borne by the Borrower.

(k) It is expressly agreed that any pecuniary liability or obligation of the City hereunder shall be limited solely to the revenues and other funds derived by the City from the sale, operation or leasing of the Original Project, including payments received under the Loan Agreement, and nothing contained in this Memorandum of Agreement shall ever be construed to constitute a personal or pecuniary liability or charge against the City or any council member, officer, commissioner, employee or agent of the City or its governing body, and in the event of a breach of any undertaking on the part of the City contained in this Memorandum of Agreement, no personal or pecuniary liability or charge payable directly or indirectly from any funds or property of the City shall arise therefrom. The Borrower hereby releases the City from and agrees that the City shall not be liable for, and agrees to defend, indemnify and hold the City harmless against any liabilities, obligations, claims, damages, litigation, costs and expenses (including but not limited to attorneys' fees and expenses) imposed on, incurred by or asserted against the City for any cause whatsoever pertaining to the Financing Project, the Bonds or this Memorandum of Agreement, or any transaction contemplated hereby. The provisions of this paragraph shall survive any termination of this Memorandum of Agreement.

(l) If, at any time prior to the issuance and sale of the Bonds, the City shall determine that the business, operations or financial condition of the Borrower is not satisfactory or that the Borrower is not proceeding diligently with the acquisition, construction, installation and equipping of the Financing Project or the financing or refinancing thereof as contemplated hereby, the City may, at its option, terminate this Memorandum of Agreement by written notice to the Borrower. The City shall be discharged of its undertakings under this Memorandum of Agreement if the Borrower shall not provide at the closing for the issuance of the Bonds assurances satisfactory to the City that no material adverse change has occurred in the representations of the Borrower or in the business, operations or financial condition of the Borrower.

(m) This Memorandum of Agreement shall become effective when executed and delivered by the City and the Borrower.

[The remainder of this page is intentionally left blank; signature page follows.]

IN WITNESS WHEREOF, the parties hereto have entered into this Memorandum of Agreement as of the 14th day of July, 2017.

CITY OF JACKSONVILLE, FLORIDA

By 
Its Economic Development Officer

GENESIS HEALTH, INC.

By 
Its Chief Financial Officer

Sources

Bond Proceeds - **\$100,000,000**

Total **\$100,000,000**

Uses

Refunding Escrow - **\$91,000,000**

Swap Termination Payment - **\$8,000,000**

Costs of Issuance - **\$1,000,000**

Total **\$100,000,000**