

LOAN AGREEMENT

Dated _____, 1998

By and Among

**CITY OF JONESBORO, ARKANSAS RESIDENTIAL
HOUSING AND HEALTH CARE FACILITIES BOARD**

Issuer

and

**NORTHEAST ARKANSAS COMMUNITY MENTAL
HEALTH CENTER, INC.**

D/B/A

MID-SOUTH HEALTH SYSTEMS, INC.

Borrower

and

MERCANTILE BANK OF ARKANSAS

Bondholder

Relating to the Issuance of:

Not to Exceed \$4,500,000
City of Jonesboro, Arkansas Residential
Housing and Health Care Facilities Board
Capital Improvement Revenue Bond
(Mid-South Health Systems, Inc. Project)
Series 1998

This instrument prepared by:
Kutak Rock
425 West Capitol Avenue, Suite 1100
Little Rock, Arkansas 72201

TABLE OF CONTENTS

**ARTICLE I
DEFINITIONS**

Page

Section 101. Definitions

Section 102. Rules of Interpretation

Section 103. Exhibits

**ARTICLE II
REPRESENTATIONS AND WARRANTIES**

Section 201. Representations and Warranties of the Borrower

Section 202. Representations and Warranties of the Board

Section 203. Representations and Warranties of the Bondholder

Section 204. Assignment to the Bondholder

Section 205. Limitations on Obligations of the Board

**ARTICLE III
THE BOND**

Section 301. Issuance of the Bond

Section 302. General Limitations

Section 303. Payment

Section 304. Execution of the Bond

Section 305. Description of the Bond

Section 306. Delivery of the Bond

Section 307. Determination of Interest Rate

**ARTICLE IV
REDEMPTION**

Section 401. Privilege of Redemption and Redemption Prices

Section 402. Deposit of Moneys for Redemption

Section 403. Effect of Redemption

Section 404. Optional Redemption of the Bond

**ARTICLE V
USE OF BOND PROCEEDS**

- Section 501. Agreement to Lend Bond Proceeds
- Section 502. Application of Bond Proceeds

**ARTICLE VI
CONSTRUCTION AND COMPLETION OF PROJECT**

- Section 601. Agreement to Acquire, Construct and Equip the Project
- Section 602. Documents
- Section 603. Construction Contracts
- Section 604. Plans and Specifications
- Section 605. Abandonment of Construction
- Section 606. Advances of Bond Proceeds
- Section 607. Borrower Required to Pay in Event Bond Proceeds Insufficient
- Section 608. Establishment of Completion Date

**ARTICLE VII
PAYMENT PROVISIONS**

- Section 701. Payments
- Section 702. Extraordinary Prepayments
- Section 703. Optional Prepayments
- Section 704. Payment of Expenses of the Board
- Section 705. Obligations Unconditional
- Section 706. Payments to be Net Return to the Board

**ARTICLE VIII
ADDITIONAL COVENANTS OF BORROWER**

- Section 801. Maintenance of the Project
- Section 802. Operation of the Project
- Section 803. Compliance With Laws
- Section 804. Taxes, Permits and Other Charges
- Section 805. Liens and Encumbrances
- Section 806. Inspection
- Section 807. Maintenance of Tax Exemption
- Section 808. Arbitrage and Rebate
- [Section 809. Prior Loan and Mortgage]
- Section 810. Financial Covenants

**ARTICLE IX
INSURANCE AND INDEMNIFICATION**

Section 901. Insurance
Section 902. Insurers and Policies
Section 903. Borrower’s Liability
Section 904. Indemnification and Nonliability of Board
Section 905. Environmental Indemnification

**ARTICLE X
ALTERATIONS, IMPROVEMENTS AND ADDITIONS**

Section 1001. Remodeling, Modifications, Improvements and Additions
Section 1002. No Credit for Remodeling, Additions, Modifications or Improvements
Section 1003. Execution of Other Documents; Release of Property

**ARTICLE XI
SUBLEASING, ASSIGNMENT AND MORTGAGING**

Section 1101. Subleases and Operating Contracts
Section 1102. Merger, Consolidation or Transfer of Assets by Borrower
Section 1103. No Assignments by Borrower Except as Permitted

**ARTICLE XII
PERMITTED INDEBTEDNESS**

Section 1201. Permitted Indebtedness Generally

**ARTICLE XIII
PERFORMANCE OF BORROWER’S OBLIGATIONS BY BOARD**

Section 1301. Performance of Borrower’s Obligations by the Board

**ARTICLE XIV
EVENTS OF DEFAULT; TERMINATION**

Section 1401. Events of Default
Section 1402. Remedies

**ARTICLE IX
INSURANCE AND INDEMNIFICATION**

- Section 901. Insurance
- Section 902. Insurers and Policies
- Section 903. Borrower’s Liability
- Section 904. Indemnification and Nonliability of Board
- Section 905. Environmental Indemnification

**ARTICLE X
ALTERATIONS, IMPROVEMENTS AND ADDITIONS**

- Section 1001. Remodeling, Modifications, Improvements and Additions
- Section 1002. No Credit for Remodeling, Additions, Modifications or Improvements
- Section 1003. Execution of Other Documents; Release of Property

**ARTICLE XI
SUBLEASING, ASSIGNMENT AND MORTGAGING**

- Section 1101. Subleases and Operating Contracts
- Section 1102. Merger, Consolidation or Transfer of Assets by Borrower
- Section 1103. No Assignments by Borrower Except as Permitted

**ARTICLE XII
PERMITTED INDEBTEDNESS**

- Section 1201. Permitted Indebtedness Generally

**ARTICLE XIII
PERFORMANCE OF BORROWER’S OBLIGATIONS BY BOARD**

- Section 1301. Performance of Borrower’s Obligations by the Board

**ARTICLE XIV
EVENTS OF DEFAULT; TERMINATION**

- Section 1401. Events of Default
- Section 1402. Remedies

- Section 1403. Cooperation upon Event of Default
- Section 1404. No Remedy Exclusive
- Section 1405. Right of Entry
- Section 1406. Right to Lease
- Section 1407. Bondholder May File Proofs of Claim
- Section 1408. Restoration of Positions
- Section 1409. Waiver of Appraisalment, Etc., Laws
- Section 1410. Suits to Protect the Security
- Section 1411. Attorneys' Fees and Other Expenses
- Section 1412. No Waiver of Pecuniary Default; No
Additional Waiver Implied by One Waiver
- Section 1413. Remedies Subject to Provisions of Law

**ARTICLE XV
RIGHTS IN FAVOR OF BORROWER**

- Section 1501. Right to Terminate Loan Agreement
- Section 1502. Right to Prepay Note Payments
- Section 1503. Release for Easements and Rights of Way

**ARTICLE XVI
MISCELLANEOUS**

- Section 1601. Waiver of Statutory Rights
- Section 1602. Remedies Cumulative
- Section 1603. Amendments, Changes and Modifications
- Section 1604. Applicable Law
- Section 1605. Severability
- Section 1606. Notices and Demands
- Section 1607. Successors and Assigns
- Section 1608. Multiple Counterparts
- Section 1609. No Liability of Individual Officers or Members of Board
or Officers or Directors of the Borrower
- Section 1610. Limitations of Warranties
- Section 1611. Captions
- Section 1612. Entire Agreement

- SIGNATURES AND SEALS
- ACKNOWLEDGMENTS
- EXHIBIT A FORM OF BOND A-1
- EXHIBIT B DESCRIPTION OF LAND INCLUDED IN MORTGAGED PREMISES B-1
- EXHIBIT C FORM OF NOTE C-1

LOAN AGREEMENT

THIS LOAN AGREEMENT, made and entered into as of the ___ day of _____, 1998, by and among the CITY OF JONESBORO, ARKANSAS RESIDENTIAL HOUSING AND HEALTH CARE FACILITIES BOARD (the "Board"), a body politic and corporate and a public instrumentality of the City of Jonesboro, Arkansas, duly organized and existing under the laws of the State of Arkansas, NORTHEAST ARKANSAS COMMUNITY MENTAL HEALTH CENTER, INC. (the "Borrower"), a not-for-profit corporation duly organized and in good standing under and by virtue of the laws of the State of Arkansas doing business as Mid-South Health Systems, Inc., and MERCANTILE BANK OF ARKANSAS (the "Bondholder"), a bank duly organized and validly existing under the laws of [the United States of America].

W I T N E S S E T H:

WHEREAS, the Board is a duly organized and validly existing public facilities board of the City of Jonesboro, Arkansas (the "City"), authorized by the provisions of the "Public Facilities Boards Act," Arkansas Code Annotated Sections 14-137-101 *et seq.* (1998 Repl.) (the "Act"), and by ordinances duly adopted by the City, to loan proceeds from the sale of its revenue bonds to any person to finance or refinance the acquisition, construction and equipping of health care facilities within the City; and

WHEREAS, the Borrower is authorized by applicable law and its articles of incorporation to own and operate mental health care facilities; and

WHEREAS, the Borrower desires that the Board issue its revenue bond and loan the proceeds thereof to the Borrower for the purpose of financing a portion of the costs of the acquisition, construction and equipping of a mental health care facility (the "Project") to be located at 2707 Browns Lane within the City; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and pursuant to official action of the Board adopted on [May 20], 1998, the Board proposes to issue its Bond (as hereinafter defined) and to loan the proceeds thereof to the Borrower, and the Borrower intends to borrow the proceeds of said Bond from the Board pursuant to the terms hereof and as set forth in a secured note (the "Note") from the Borrower to the Board; and

WHEREAS, the Note will be secured by a mortgage (the "Mortgage") to be given by the Borrower on the Project real property and by a security interest in certain personal property of the Borrower; and

WHEREAS, arrangements have been made for the sale of the Bond to the Bondholder pursuant to the terms of a Bond Purchase Contract of even date herewith; and

WHEREAS, the Board will assign the Note, the Mortgage and all of its rights hereunder (subject to certain exceptions) as security for the payment of the Board's Capital Improvement

Revenue Bond (Mid-South Health Systems, Inc. Project), Series 1998 (the "Bond"), to be issued in principal amount not to exceed \$4,500,000; and

WHEREAS, the execution and delivery of this Loan Agreement and the Bond Purchase Contract, the issuance of the Bond pursuant to the provisions of the Act, and the assignment of the Board's rights in the Loan Agreement, the Note and the Mortgage have been in all respects duly and validly authorized by the Board;

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

ARTICLE I

DEFINITIONS

Section 101. Definitions. Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings:

"Accountant" or "Accountants" shall mean an Independent certified public accountant or a firm of Independent certified public accountants selected and employed by the Borrower, and to whom the Bondholder makes no reasonable objection.

"Act" shall mean the "Public Facilities Boards Act," Arkansas Code Annotated Sections 14-137-101 *et seq.* (1998 Repl.), and all acts supplemental thereto or amendatory thereof.

"Additional Payments" shall mean payments to be made by the Borrower and so identified in Section 701(II) of this Loan Agreement.

"Board" shall mean the City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board, a body politic and corporate and a public instrumentality under the Act and ordinances of the City.

"Board Representative" shall mean any person or persons designated to act by or on behalf of the Board by an Officer's Certificate.

"Bond Counsel" shall mean Kutak Rock, Little Rock, Arkansas, or such other nationally recognized bond counsel as may be designated by the Board or the Bondholder.

"Bond Payment Date" shall mean the first day of each month, commencing _____ 1, 1998.

“Bond” shall mean the Board’s Capital Improvement Revenue Bond (Mid-South Health Systems, Inc. Project), Series 1998, to be issued in principal amount not to exceed \$4,500,000. The Bond shall be issued in substantially the form attached as Exhibit A hereto.

“Bondholder” shall mean Mercantile Bank of Arkansas, and its successors and assigns, as permitted hereby.

“Borrower” shall mean Northeast Arkansas Community Mental Health Center, Inc., an Arkansas not-for-profit corporation doing business as Mid-South Health Systems, Inc., and any successor thereto.

“Borrower Representative” shall mean any person or persons designated to act on behalf of the Borrower by an Officer’s Certificate.

“Certified Resolution,” with respect to the Board, shall mean a copy of a resolution certified by the Chairman or the Secretary of the Board to have been duly passed by the Board at a meeting duly called and convened; and, with respect to the Borrower, shall mean a copy of a resolution of the Board of _____ (or the executive committee thereof) of the Borrower certified by the Chairman or Secretary of the Borrower to have been duly passed by the Borrower at a meeting duly called and convened.

“City” shall mean the City of Jonesboro, Arkansas.

“Closing Date” shall mean the date on which the Bond is delivered to the initial Bondholder and on which payment is received by or on behalf of the Board.

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

“Completion Date” shall mean the date of completion of the Project established in accordance with Section [608] of this Loan Agreement.

“Construction Contract” shall mean any contract providing for the acquisition, construction, equipping, furnishing or installation of any part of the Project, including any amendment thereto made in accordance with the provisions thereof and hereof.

“Contractor” shall mean a Person with whom the Borrower enters into a Construction Contract.

The word “continuing” as applied to an Event of Default shall mean any Event of Default not cured or waived.

“Cost” or “Costs,” as applied to the Project financed with the proceeds of the Bond, shall mean all costs of acquisition, construction and equipping (including acquisition of the necessary furnishings) and all obligations and expenses and all items of cost which are permitted by the Act.

“Counsel” shall mean an attorney duly admitted to practice law before the highest court of any state.

“Event of Default” shall mean any event of default set forth in Section [1401] hereof.

“Independent,” when used with respect to any specified Person, shall mean such a Person who: (i) does not have any direct financial interest or any material indirect financial interest in the Borrower, other than the payments to be received under a contract for services to be performed by such Person; and (ii) is not connected with the Board, the Borrower or any Contractor as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or person performing a similar function. Whenever it is provided in this Loan Agreement that any Independent Person’s opinion or certificate shall be furnished to the Bondholder, such Person shall be appointed by the Board, the Borrower or the Bondholder, as the case may be, and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning hereof.

“Issuance Expenses” shall mean legal fees and expenses, recording expenses, printing costs, Bondholder’s fees, title insurance costs, builder’s risk and other insurance costs, and other reasonable fees and expenses incurred or to be incurred by or on behalf of the Borrower as may be necessary or incident to financing the preparation of documents and the issuance and sale of the Bond.

“Loan Agreement” shall mean this Loan Agreement dated _____, 1998, as from time to time supplemented and amended.

“Maturity,” “due,” “payable” and like terms refer to and include payment due upon stated maturity and upon mandatory redemption prior to stated maturity.

“Mortgage” shall mean the mortgage of even date herewith (and all supplements thereto), from the Borrower to the Board, securing the Note and comprising a first lien mortgage on the Project real property, subject to certain exceptions as provided in this Loan Agreement. The interest of the Board in the Mortgage has been assigned to the Bondholder.

“Mortgaged Premises” shall mean the real property on which the Project is to be located described in Exhibit B attached hereto, as it may be from time to time amended, and any buildings, improvements and fixtures located thereon.

“Note” shall mean the secured promissory note of even date herewith evidencing the obligation of the Borrower pursuant to this Loan Agreement. The Note shall be substantially in the form attached hereto as Exhibit C.

“Note Payments” shall mean payments to be made by the Borrower on the Note pursuant to the terms thereof and so identified in Section [701(I)] of this Loan Agreement.

“Officer’s Certificate” shall mean (a) with reference to the Borrower, a certificate in writing signed by the Executive Director or the _____ of the Borrower, (b) with reference to the Board, a certificate in writing signed by the Chairman or the Vice Chairman and by the Secretary of the Board, and (c) with reference to the Bondholder, a certificate in writing signed by any officer of the Bondholder.

“Official Intent Date” shall mean April 27, 1998.

“Opinion of Counsel” shall mean a written opinion of Counsel who may (except as otherwise specifically provided in this Loan Agreement) be Counsel for the Board, the Borrower or the Bondholder.

The word “Outstanding” or “outstanding,” when used with reference to the Bond, shall mean, as of the date of determination or computation, the principal amount of the Bond theretofore advanced by the Bondholder and issued and delivered hereunder, except the Bond or principal portion thereof theretofore repaid or otherwise cancelled by the Bondholder.

“Permitted Encumbrances” shall mean:

(a) liens for taxes and special assessments which are not then delinquent, or if then delinquent are being contested in accordance with this Loan Agreement;

(b) utility, access and other easements and rights of way, restrictions, restrictive covenants and exceptions that the Borrower certifies to the Bondholder will not in the aggregate materially interfere with or impair the construction or the operation of the Project;

(c) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with this Loan Agreement;

(d) such minor defects, irregularities, encumbrances, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to the Project and that Counsel for the Borrower opines to the Bondholder do not materially impair the property affected thereby for the purposes for which it is intended:

(e) zoning laws and similar restrictions which are not violated by the Project;

(f) liens arising in connection with workmen's compensation, unemployment insurance, taxes, assessments, statutory obligations or liens, social security legislation, undetermined liens and charges incidental to construction or other similar charges arising in the ordinary course of operation and not overdue or, if overdue, being contested in a permitted contest, and such other liens or charges at the time required by law as a condition precedent to the transaction of the activities of the Borrower or the exercise of any privileges or licenses necessary to the Borrower; and

(g) the Mortgage and this Loan Agreement.

"Permitted Indebtedness" shall mean the indebtedness described in Article [XII] of this Loan Agreement.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Project" shall mean the mental health care facility to be constructed at 2707 Browns Lane within the City to be owned and operated by the Borrower and to be financed in part with the proceeds of the Bond.

"Qualified Costs" shall mean Costs of the Project, but specifically excluding costs and expenses for portions of the Project to be used for activities constituting unrelated trades or businesses of the Borrower determined by applying Section 513(a) of the Code; provided, however, that (i) Costs paid or incurred more than sixty (60) days prior to the Official Intent Date shall not be deemed to be Qualified Costs (except for costs under the *de minimis* and *preliminary expenditure* exceptions set forth in Section 1.150-2 of the U.S. Treasury Regulations), (ii) Issuance Expenses shall not be deemed to be Qualified Costs, and (iii) interest prior to the Completion Date of the Project, letter of credit fees, and municipal bond insurance premiums which represent a transfer of credit risk must be allocated between Qualified Costs and other costs and expenses to be paid with Bond proceeds.

"State" shall mean the State of Arkansas.

"Written Request" with reference to the Board shall mean a request in writing signed by the Chairman or the Vice Chairman and by the Secretary of the Board, and with reference to the Borrower, shall mean a request in writing signed by the Executive Director or the _____ of the Borrower.

Section 102. Rules of Interpretation. For all purposes of this Loan Agreement, except as otherwise expressly provided or unless the context requires:

(1) All references in this Loan Agreement to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Loan Agreement as originally executed. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or other subdivision.

(2) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

(3) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(4) The terms defined elsewhere in this Loan Agreement shall have the meanings therein ascribed to them.

(5) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(6) The headings used in this Loan Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

Section 103. Exhibits. The following Exhibits are attached to and by reference made a part of this Loan Agreement.

Exhibit A: Form of Bond

Exhibit B: Description of Land included in Mortgaged Premises

Exhibit C: Form of Note

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 201. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is duly formed and in good standing under the laws of the State, is not in violation of any laws material to the transactions contemplated by this Loan Agreement, the Note or the Mortgage, or any provisions of its articles of incorporation material to the transactions contemplated by this Loan Agreement, the Note or the Mortgage, has the requisite power to enter into this Loan Agreement, the Note and the Mortgage, and has duly authorized the execution and delivery of this Loan Agreement, the Note and the Mortgage.

(b) Subject to the provisions of this Loan Agreement, the Borrower shall operate or cause to be operated the Project through the date on which the Bond has been fully paid or shall otherwise be no longer Outstanding.

(c) The Borrower will not take any action which would impair the exemption of interest on the Bond from federal income taxation; nor will the Borrower at any time take any action which would in any way adversely affect the right of the Board to issue tax-exempt bonds under the Code.

(d) Neither the execution and delivery of this Loan Agreement, the Note or the Mortgage, the consummation of the transactions contemplated by this Loan Agreement, the Note or the Mortgage, nor the fulfillment of or compliance with the terms and conditions of this Loan Agreement, the Note or the Mortgage, conflicts with or results in a breach of any of the terms, conditions or provisions of the articles of incorporation of the Borrower, or any corporate restriction or any agreement, instrument or governmental order to which the Borrower is now a party or by which it is bound or constitutes a default under any of the foregoing.

(e) The Borrower has obtained all requisite approvals of the State, the United States of America, political subdivisions or agencies of either, and other State, federal, regional and local governmental bodies for the acquisition, construction and equipping of the Project.

(f) The Project, as designed, is in compliance in all material respects with applicable federal, State and local zoning, subdivision, environmental, pollution control and building laws, regulations, codes and ordinances, and, prior to the commencement of operation of the Project, the Borrower will be duly authorized and licensed to operate the Project under the laws, rulings, regulations and ordinances of United States of America, the State and the departments, agencies and political subdivisions thereof.

(g) No portion of the proceeds of the Bond will be used for, or used to finance any facilities to be used for, a private business which is not related to the Project, within the meaning of Section 145 of the Code.

[(h) All outstanding obligations the proceeds of which were or are to be applied to finance facilities used or to be used, in whole or in part, by the Borrower or any "related person" thereto (within the meaning of the Code), other than "qualified hospital bonds" (within the meaning of Section 145 of the Code), equal less than \$150,000,000 in aggregate principal amount.]

(i) Proceeds of the Bond may be applied to pay Issuance Expenses with respect to the Bond, but will not exceed two percent (2%) of the principal amount of the Bond.

(j) The recitals of fact and statements contained in this Loan Agreement with respect to the Borrower are true.

Section 202. Representations and Warranties of the Board. The Board represents and warrants as follows:

(a) The Board is a public instrumentality of the City duly organized and existing under the laws of the State and particularly Ordinance No. 1657 adopted by the governing body of the City on October 16, 1978, as amended by Ordinance No. 1717 adopted April 7, 1980 (the "Creating Ordinance"), pursuant to the Act. The Board is authorized in accordance with the Act and the Creating Ordinance to enter into the transactions contemplated by this Loan Agreement, the Mortgage and the Note, has authorized the execution and delivery of this Loan Agreement, has authorized the assignment to the Bondholder of the Mortgage, the Note and this Loan Agreement (subject to certain exceptions), and agrees that it will do or cause to be done all things required hereby and thereby.

(b) The Board is authorized, and has taken all necessary action pursuant to the Act, to issue the Bond in the aggregate principal amount of not to exceed \$4,500,000 to provide funds for the acquisition, construction and equipping of the Project and payment of Issuance Expenses.

(c) The issuance of the Bond is for the public purpose of providing necessary mental health care facilities and will promote the health and welfare of the residents of the City and the State.

(d) Insofar as it may legally do so, the Board will maintain its existence and will not be or become a party to any merger or consolidation.

(e) The Board will, at the expense of the Borrower, but without expense to the Bondholder, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all and every such further acts, conveyances, mortgages, assignments, transfers and assurances as the Bondholder shall require for the better assuring, granting, conveying, assigning and confirming unto the Bondholder the security hereby described and granted, conveyed or assigned or intended so to be by the Mortgage, or which the Board may be or may hereafter become bound to grant, convey or assign to the Bondholder, or for carrying out the intention or facilitating the performance of the terms of this Loan Agreement.

(f) The Board will not act or permit any thing or act to be done in such manner as would result in the loss of exemption of interest on the Bond from federal income taxation under the Code, nor will it allow the use of any of the proceeds received from the sale of the Bond or any moneys deemed to be proceeds of the Bond, directly or indirectly, in any manner which would result in such Bond being classified as an "arbitrage bond" within the meaning of the Code.

Section 203. Representations and Warranties of the Bondholder. The Bondholder represents and warrants as follows:

(a) That it will not act in such manner as would result in the loss of exemption of interest on the Bond from federal income taxation under the Code, nor will it use any of the proceeds received from the sale of the Bond or any moneys deemed to be proceeds of the Bond, directly or indirectly, in any manner which would result in such Bond being classified as an "arbitrage bond" within the meaning of the Code.

(b) That it will, at the request of the Borrower and upon compliance with the terms and conditions of Section [1503] hereof, release any asset from the Mortgaged Premises under the Mortgage.

(c) That it will not sell, assign or otherwise transfer ownership of the Bond, except for any assignment or transfer necessitated by the merger, consolidation or sale of substantially all of the assets of the Bondholder.

Section 204. Assignment to the Bondholder. The Board, in consideration of the purchase and acceptance of the Bond by the Bondholder and of other good and valuable consideration, the receipt of which is hereby acknowledged, for the purpose of securing the payment of the principal of, premium, if any, and interest on the Bond according to its tenor and effect, and in order to secure the faithful performance and observance by the Board of all the covenants and conditions set forth herein and in the Bond, does hereby grant, bargain, sell, mortgage, convey, assign, pledge unto and confirm a security interest in the following to the Bondholder, and to its successors and assigns forever, with the power of sale to the extent permitted by law (which properties are sometimes herein referred to herein as the "Trust Estate"):

(1) The Note and the Mortgage, and all rights of the Board thereunder, including without limitation all rights of the Board to the Project pursuant to the Note and the Mortgage.

(2) All right, title and interest of the Board in, to and under this Loan Agreement (except its rights under Sections [704] (expenses), [904] (indemnification), [1606] (notices) and [1609] (limited liability) hereof), including, without limitation, all Note Payments received or receivable by the Board under and pursuant to this Loan Agreement and the present and continuing right to make claim for, collect, receive and receipt for any of the income, revenues, receipts, fees, proceeds, payments and other sums of money payable or receivable hereunder, but subject to the terms hereof, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Board is or may become entitled to do under this Loan Agreement.

The grant of the aforementioned items to the Bondholder is subject to Permitted Encumbrances.

The Board covenants and agrees that it will not assign, transfer or hypothecate (other than to the Bondholder hereunder) the Note or any Note Payments then due or to accrue in the future under the Loan Agreement. The Board further covenants and agrees that it will not create or consent to the creation or existence of any lien upon the Trust Estate other than as permitted by this Loan Agreement.

Section 205. Limitations on Obligations of the Board. Anything in this Loan Agreement to the contrary notwithstanding, the performance by the Board of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the Board for all warranties and other covenants hereunder, shall be limited solely to the Trust Estate, including revenues and receipts derived from this Loan Agreement, and the Board shall not be responsible for its duties, obligations, powers or covenants hereunder except to the extent of the Trust Estate.

ARTICLE III

THE BOND

Section 301. Issuance of the Bond. There is hereby created and there shall be a Bond entitled "City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board Capital Improvement Revenue Bond (Mid-South Health Systems, Inc. Project), Series 1998," secured and payable as provided herein.

The Bond is being issued in principal amount not to exceed \$4,500,000 to finance a portion of the costs of the acquisition, construction and equipping of the Project and to pay a portion of the Issuance Expenses of the Bond.

The Board hereby designates the Bond for purposes of paragraph (3) of Section 265(b) of the Code and covenants that the Bond does not constitute a *private activity bond* as defined in Section 141 of the Code (other than *qualified 501(c)(3) bonds* as defined in Section 145 of the Code) and that not more than \$10,000,000 aggregate principal amount of obligations, the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding, however, *private activity bonds*, as defined in Section 141 of the Code (other than *qualified 501(c)(3) bonds* as defined in Section 145 of the Code), including the Bond, have been or shall be issued by the Board, including all subordinate entities of the Board, during the calendar year 1998.

Section 302. General Limitations. The Bond is a special obligation of the Board. No covenant or agreement in this Loan Agreement or in the Bond and no obligation herein or therein imposed upon the Board and no breach thereof shall constitute or give rise to or impose upon the Board a general liability or a charge upon its general credit or property other than the

Trust Estate. The Board has no taxing power. Neither the State of Arkansas, the City of Jonesboro, Arkansas, nor any other political subdivision thereof is liable for the payment of principal of, premium, if any, or interest on the Bond. Neither the Bond nor any agreement of the Board shall be construed to constitute an indebtedness of the State of Arkansas, the City of Jonesboro, Arkansas, or any other political subdivision thereof within the meaning of any constitutional or statutory limitation.

Principal of, premium, if any, and interest on the Bond shall be payable solely from the income, revenues and other payments pledged to the Bondholder as part of the Trust Estate, including Note Payments received or receivable by the Board under the Note and this Loan Agreement. The Bond shall be secured solely by the Trust Estate, including a pledge of the Note Payments, revenues and other payments and moneys of any nature whatsoever received or receivable by the Board under the Note, the Loan Agreement and the Mortgage, subject to Permitted Encumbrances and certain other exceptions as provided herein.

Section 303. Payment. The principal of, premium, if any, and interest on the Bond shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The payment of principal and interest on the Bond shall be made by the Borrower on or before each Bond Payment Date as provided in Section [305] below by check or draft mailed to the Bondholder in accordance with amortization schedules to be provided to the Borrower by the Bondholder.

Section 304. Execution of the Bond. The Bond shall be executed in the name of the Board by the manual signature of its Chairman or Vice Chairman [under its seal] and attested by the manual signature of its Secretary. In case any officer of the Board who shall have signed the Bond shall cease to be such officer before the Bond shall have been actually delivered or issued, the Bond may be delivered and issued with the same effect as though the person who had signed the Bond had not ceased to be an officer of the Board.

Section 305. Description of the Bond. (a) The Bond shall be dated _____, 1998, shall be issued in fully registered form, and shall be lettered and numbered R-1. The principal amount of the Bond outstanding from time to time shall be equal to the amounts advanced by the Bondholder to the Borrower pursuant to Section [606] hereof for payment of the Costs of the Project, less principal repayments made by the Borrower. Principal amounts of the Bond advanced to the Borrower shall bear interest from the dates of the respective advances at the applicable interest rate per annum in effect at such time, as determined pursuant to Section [307] hereof.

(b) Prior to the Completion Date, interest only is payable on amounts advanced on the Bond on or before each Bond Payment Date in accordance with schedules to be provided by the Bondholder to the Borrower from time to time. Following the Completion Date, principal and interest on the Bond shall be payable on or before each Bond Payment Date in accordance with amortization schedules (based on a 20-year level amortization of principal and interest) to be provided by the Bondholder to the Borrower from time to time, and the final maturity of the Bond shall be _____, 2019.

(c) Upon at least ninety (90) days' written notice to the Borrower and the Board prior to _____ 1, 2004, _____ 1, 2009, and _____ 1, 2014, the Bondholder may present the Bond for payment in full (principal plus accrued interest) on such dates.

Section 306. Delivery of the Bond. The Bond, in an aggregate principal amount equal to the initial advance by the Bondholder to the Borrower pursuant to Section [606] hereof, may forthwith upon the execution and delivery of this Loan Agreement, be executed by the proper officials of the Board and delivered to the Bondholder upon receipt by the Bondholder, among other things, of the following:

(a) a Certified Resolution or Resolutions adopted and approved by the Board authorizing the execution, delivery and assignment of this Loan Agreement, the delivery and assignment of the Note and the Mortgage, and the issuance and sale of the Bond;

(b) a Certified Resolution or Resolutions of the Borrower authorizing the execution and delivery of this Loan Agreement, the Note and the Mortgage, and approving the issuance and sale of the Bond;

(c) an original fully executed counterpart of this Loan Agreement;

(d) the original fully executed Note and Mortgage, duly assigned by the Board;

(e) an opinion of Bond Counsel to the effect that the Bond is a valid obligation of the Board according to its terms, is secured as set forth herein and that interest on the Bond is exempt from federal income taxation under present law; and

(f) a Written Request to the Bondholder from the Borrower for an advance pursuant to Section [606] hereof to pay a portion of the Costs of the Project and certain Issuance Expenses.

Section 307. Determination of Interest Rate. (a) From the date of its delivery through _____ [31], 2004, the Bond shall bear interest at the rate of 5.25% per annum.

(b) Upon at least ninety (90) days' written notice to the Borrower prior to _____ 1, 2004, _____ 1, 2009, and _____ 1, 2014, the Bondholder may prospectively adjust the interest rate to be borne by the Bond from and including such _____ 1, 2004, _____ 1, 2009, or _____ 1, 2014, as applicable. If no such notice is given by the Bondholder, the Bond will continue to bear interest at the interest rate per annum then in effect.

(c) If the Bondholder does not present the Bond for payment pursuant to Section 305(c) on _____ 1, 2004, _____ 1, 2009 or _____ 1, 2014, the Bondholder may, one time during each of the five year periods commencing on such dates, prospectively adjust the interest rate to be borne by the Bond. Such adjusted rate shall take effect ninety (90) days following written notice thereof to the Borrower.

(d) If at any time there is a change in the effective federal tax rate of the Bondholder with respect to interest on the Bond, the Bond shall bear interest at an interest rate per annum to be calculated by the Bondholder so as to approximate the return to the Bondholder prior to the change in the Bondholder's effective federal tax rate. Such determination by the Bondholder shall be conclusive and shall take effect ninety (90) days following written notice thereof to the Borrower.

ARTICLE IV

REDEMPTION

Section 401. Privilege of Redemption and Redemption Prices. The Bond shall be subject to optional redemption in whole prior to maturity in the manner provided in this Article IV.

Section 402. Deposit of Moneys for Redemption. In the case of redemption of the Bond, the Borrower shall deposit moneys with the Bondholder in an amount sufficient, together with other available Trust Moneys, to pay the redemption price of the Bond to be redeemed on the redemption date.

Section 403. Effect of Redemption. Moneys for payment of the redemption price of the Bond being deposited with the Bondholder as provided in Section 402 above, the Bond shall, on the date fixed for redemption, become due and payable on such date, and interest on the Bond shall cease to accrue.

Section 404. Optional Redemption of the Bond. (a) The Bond is subject to redemption at the option of the Board (which option shall be exercised as directed by the Borrower) in whole at the times and redemption prices set forth below, plus accrued interest to the date of redemption.

<u>Redemption Date</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
Prior to _____ 1, 2000	No Redemption
_____ 1, 2000 to _____ 31, 2001	103 %
_____ 1, 2001 to _____ 31, 2002	102 %
_____ 1, 2002 to _____ 31, 2003	101 %
_____ 1, 2003 to _____ 31, 2004	100 %

<u>Redemption Date</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
_____ 1, 2004 to _____ 31, 2005	No Redemption
_____ 1, 2005 to _____ 31, 2006	103%
_____ 1, 2006 to _____ 31, 2007	102%
_____ 1, 2007 to _____ 31, 2008	101%
_____ 1, 2008 to _____ 31, 2009	100%
_____ 1, 2009 to _____ 31, 2010	No Redemption
_____ 1, 2010 to _____ 31, 2011	103%
_____ 1, 2011 to _____ 31, 2012	102%
_____ 1, 2012 to _____ 31, 2013	101%
_____ 1, 2013 to _____ 31, 2014	100%
_____ 1, 2014 to _____ 31, 2015	No Redemption
_____ 1, 2015 to _____ 31, 2016	103%
_____ 1, 2016 to _____ 31, 2017	102%
_____ 1, 2017 to _____ 31, 2018	101%
_____ 1, 2018 to _____ 31, 2019	100%

Written notice of the Board's intent to redeem the Bond (pursuant to direction from the Borrower) shall be delivered to the Bondholder at least three day's prior to the date selected for redemption.

(b) Notwithstanding the provisions of subsection (a) of this Section 404, upon receipt of notice from the Bondholder of an adjustment in the interest rate of the Bond pursuant to Section 304(c) or (d) hereof, and prior to the effective date of such interest rate adjustment, the Bond is subject to redemption in whole at the option of the Board (which option shall be exercised as directed by the Borrower) at a redemption price equal to the outstanding principal amount of the Bond, plus accrued interest to the date of redemption. Written notice of the Board's intent to redeem the Bond (pursuant to direction from the Borrower) shall be delivered to the Bondholder at least three day's prior to the date selected for redemption.

ARTICLE V

USE OF BOND PROCEEDS

Section 501. Agreement to Lend Bond Proceeds. The Board hereby agrees to apply the proceeds of the Bond on behalf of Borrower as set forth in Section 502 hereof. The Borrower acknowledges that the Note, the Mortgage and the Board's rights under this Loan Agreement (subject to certain exceptions) will be assigned to the Bondholder as security for the payment of the Bond, and the Borrower agrees to pay the Note Payments, Additional Payments and any other sums required to be paid hereunder, as payable and to the payee or payees as specified.

Section 502. Application of Bond Proceeds. The Bondholder (as agent and on behalf of the Board) shall disburse proceeds of the Bond for the payment of Issuance Expenses of the Bond and the payment of Costs associated with the acquisition, construction and equipping of the Project.

Bond proceeds in an amount not to exceed two percent (2%) of the outstanding principal amount of the Bond may be utilized for the purpose of paying Issuance Expenses.

ARTICLE VI

CONSTRUCTION AND COMPLETION OF PROJECT

Section 601. Agreement to Acquire, Construct and Equip the Project.

(a) The Project shall be acquired, constructed and equipped by, or at the direction of, the Borrower, and during the term of this Loan Agreement, the Borrower shall own the Project.

(b) The Board authorizes the Borrower to make all contracts and to do all things necessary for the acquisition, construction and equipping of the Project, with or without advertising for bids, and the Borrower agrees that:

(i) It will cause the Project to be acquired, constructed and equipped with any buildings, equipment and other property which in the reasonable judgment of the Borrower may be necessary for the operation of the Project, all of which acquisition, construction and equipping shall be made in accordance with the specifications and instructions of the Borrower. Any such buildings, equipment and other property acquired, constructed or equipped with Bond proceeds shall be part of the Project and shall be subject to this Loan Agreement and the Mortgage.

(ii) It will acquire, construct and equip the Project with all reasonable dispatch and will use its best efforts to cause the acquisition, construction and equipping of the Project to be completed as soon as may be practicable, but in any case within a period not to exceed one year after the issuance of the Bond, delays caused by *force majeure*, so defined in Section [1412] hereof only excepted; but if for any reason such acquisition, construction and equipping of the Project is not completed within said time period, there shall be no diminution in or postponement of the payments required in Section [701] hereof to be paid by the Borrower.

(c) So long as the Borrower is not in default under any of the provisions of this Loan Agreement, the Borrower shall have full power to carry out the acts and agreements provided in this Section 601, and such power is granted and conferred irrevocably by the Board to the Borrower and is accepted by the Borrower, and shall not be terminated by any act of the Board or the Borrower.

Section 602. Documents. During the acquisition, construction and equipping of the Project, the Borrower shall, until the Completion Date, have and keep on file and available for inspection by the Board and the Bondholder copies of all plans and specifications therefor, performance and payment bonds, building and other required permits and the related Construction Contract(s) (the "Documents"). No change or amendment in the Documents shall be made which would result in the Project being used for any purpose prohibited by Section [802] hereof or by the Code or the Act, or which would adversely affect the ability of the Borrower to meet its obligations under this Loan Agreement. Subject to the provisions of Section [604] hereof, the Borrower may make, authorize or permit such other changes or amendments in the Documents as the Borrower may reasonably determine necessary or desirable.

Section 603. Construction Contracts. Subject to Article [XIV] hereof, the Borrower agrees that upon the occurrence of an Event of Default prior to the Completion Date and upon receipt of a written direction from the Bondholder, it shall assign all of its right, title and interest in the respective Construction Contract(s), and in all related performance, labor and material bonds, to the Bondholder.

• Section 604. Plans and Specifications. Subject to the provisions of Section 602 hereof, the Borrower may make any changes in or modifications to the plans and specifications for the Project without the prior consent of the Board or the Bondholder so long as such changes or modifications in the plans and specifications do not materially and adversely alter the size or scope of the Project, materially impair the structural integrity and utility of the structures, or materially impair the usefulness or character of the Project. No changes or modifications in the plans and specifications may be made without prior approval of the Contractor's sureties if required by the terms of any indemnity bond. No change, modification, substitution, deletion or addition shall be made if it would disqualify any part of the Project as a permitted facility under the Act or the Code.

Section 605. Abandonment of Construction. If the Borrower makes changes in the plans and specifications of the Project in violation of the requirements of Sections 602 or 604 hereof, the Board, with the approval of the Bondholder, or the Bondholder may declare such failure to be an Event of Default subject to Article [XIV] hereof, and in addition to the other remedies provided in this Loan Agreement, the Bondholder and the Board may enter into and take possession of the Mortgaged Premises and perform any and all work and labor necessary to complete the Project substantially according to the applicable Documents. The Borrower hereby grants the Board and the Bondholder a right of entry for the foregoing purposes. For this purpose, the Borrower hereby constitutes and appoints the Board and the Bondholder as its true and lawful attorneys-in-fact, with full power of substitution in the premises, to complete the Project in the name of the Borrower. The Borrower hereby empowers said attorneys as follows:

(a) to use any funds of the Borrower relating to the Project, including any balance which may be held in any escrow fund, for the purpose of completing the Project in the manner called for by the applicable Documents;

(b) to make such additions, changes and corrections in the plans and specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the applicable Documents;

(c) to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for such purposes;

(d) to pay, settle or compromise all existing bills and claims which may be liens against the Project, or as may be necessary or desirable for the completion of the Project, or for clearance of title;

(e) to execute all applications and certificates in the name of the Borrower;

(f) to prosecute and defend in the name of the Borrower all actions and proceedings in connection with the Project; and

(g) to do any and every act which the Borrower might do in its own behalf in connection with the Project.

This power of attorney, which constitutes a power coupled with an interest, cannot be revoked.

Section 606. Advances of Bond Proceeds. The Board hereby authorizes and directs the Bondholder to advance up to \$4,500,000 to pay the Costs of the Project (and to pay Issuance Expenses) or to reimburse the Borrower for any Cost of the Project or Issuance Expenses paid by the Borrower. Such advances shall be made upon receipt by the Bondholder of Written Requests of the Borrower signed by the Borrower Representative. Such Written Requests shall include:

- (1) the requisition number;
- (2) the name and address of the person, firm or corporation to whom the payment is due, or if such payment is to be made as reimbursement to the Borrower;
- (3) the amount to be disbursed;
- (4) the purpose in reasonable detail for which the obligation to be paid was incurred;
- (5) that at least ninety-five percent (95%) of the amount requested for disbursement will be used for the payment of Qualified Costs;
- (6) that all property to be acquired with the proceeds of the disbursement will be owned by the Borrower;
- (7) that no portion of the amount requested for disbursement will be used for activities constituting an unrelated trade or business of the Borrower within the meaning of Section 513(a) of the Code;
- (8) that no portion of the amount requested for disbursement will be used to acquire, construct or equip any of the facilities described in the Code which would result in a loss of the tax exemption of interest on the Bond;
- (9) that the obligation stated on the Written Request has been properly incurred in or about the acquisition, construction or equipping of the Project, each item is a proper charge under the Loan Agreement and the Act, and the obligation has not been the basis for any prior Written Request which has been paid;
- (10) that no written notice of any lien, right to lien or attachment upon, or other claim affecting the right to receive payment of, any of the moneys payable under such Written Request to any of the persons, firms or corporations named therein has been received which would result in a breach of Section [805] of the Loan Agreement, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition;

(11) such Written Request contains no items representing payment on account of any holdback or retainage percentage entitled to be retained pursuant to any Construction Contract at the date of the Written Request;

(12) that there exists no Event of Default or any event which, with notice or the passage of time or both, would result in an Event of Default; and

(13) that remaining Bond proceeds available for requisition, plus available funds of the Borrower, will, after payment of the amount requested in the Written Request, be sufficient to pay any remaining Costs to become due and payable thereafter.

Upon receipt of each such Written Request, the Bondholder shall advance Bond proceeds in accordance with such Written Request.

Section 607. Borrower Required to Pay in Event Bond Proceeds Insufficient. In the event the proceeds of the Bond available for payment of the Costs of the Project should not be sufficient to pay the Costs of the Project in full, the Borrower agrees to complete the Project and to pay that portion of the Costs in excess of the Bond proceeds available therefor. The Board makes no warranty, either express or implied, that Bond proceeds available for payment of the Costs of the Project will be sufficient to pay all of the Costs of the Project. The Borrower agrees that if after exhaustion of Bond proceeds the Borrower should pay any portion of the Costs of the Project pursuant to the provisions of this Section 607, the Borrower shall not be entitled to any reimbursement therefor from the Board or the Bondholder; nor shall the Borrower be entitled to any diminution of the Note Payments or of the Additional Payments hereunder.

Section 608. Establishment of Completion Date. The Completion Date shall be the date on which the Borrower shall furnish an Officer's Certificate to the Bondholder containing the certifications set forth in the following paragraph. If no such Officer's Certificate is furnished prior to _____ 1, 1999, the Completion Date shall be deemed to be _____ 1, 1999.

The Officer's Certificate referred to in the preceding paragraph shall state (i) that the acquisition, construction and equipping of the Project has been completed in accordance with the applicable Documents then in effect and that the entire Cost has been paid or is then due and payable in accordance with Written Requests submitted pursuant to Section 606 hereof (provided, that moneys may be specified by the Borrower to be held by the Bondholder in a segregated account to be used to correct minor defects which the Borrower has ordered to be remedied and to complete minor items of work and materials awaiting seasonal completion, which specifications shall include (1) the purpose for which the money will be used, (2) the amount required to remedy such defects or to complete such minor items, and (3) a representation that such amounts will be sufficient to pay when due the Costs of such items); (ii) that the Project conforms to all applicable federal, state and local zoning, subdivision, environmental, pollution control and building laws, regulations, codes and ordinances, and is suitable and sufficient for efficient operation for the purpose for which the Project will be used; provided, however, that such Officer's Certificate may be given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being; and (iii) that all

permits necessary for the occupancy and use of the Project have been obtained and are in full force and effect.

ARTICLE VII

PAYMENT PROVISIONS

Section 701. Payments. I. (a) The Borrower shall punctually pay or cause to be paid all Note Payments as provided in the Note.

(b) All amounts payable under the Note by the Borrower to the Board, except as otherwise expressly provided herein, shall be paid to the Bondholder as assignee of the Board so long as any portion of the Bond remains Outstanding.

(c) The Note Payments shall be made not later than the related Bond Payment Date. Any scheduled payment which shall not be paid when due shall, to the extent permissible under applicable law, bear interest at the rate of interest borne by the Bond.

II. The Borrower shall also pay, when due and payable, certain costs and expenses not otherwise payable from the proceeds of the Bond, as Additional Payments:

(a) the fees and other costs incurred for services of such engineers, architects, attorneys, management consultants, insurance advisers and accountants as are employed to make examinations, provide services, render opinions or prepare reports required under this Loan Agreement;

(b) any fees and other costs, including reasonable attorney's fees, that the Borrower is obligated to pay, not otherwise paid under this Loan Agreement, incurred by the Board in connection with its administration and enforcement of, and compliance with, this Loan Agreement; and

(c) any payment required of the Board under this Loan Agreement and not otherwise provided for herein or in the Note.

Such Additional Payments shall be made, as due and payable, by the transfer of moneys of the Borrower to the Board or other payee.

Section 702. Extraordinary Prepayments. The amounts due hereunder shall be prepaid by the Borrower, in whole but not in part, as additional Note Payments, at any time and without premium but with interest thereon computed to the date of payment in the event that this Loan Agreement, the Mortgage, the Note, or the Bond become invalid or unenforceable.

Section 703. Optional Prepayments. So long as all Note Payments which have become due under Section 701 hereof have been paid, the Borrower may at any time and from time to time pay in advance all of the Note Payments to become due under said Section 701.

Section 704. Payment of Expenses of the Board. In addition to all other payments required hereunder, the Borrower shall pay all expenses of the Board incurred at the written request of the Borrower or the Bondholder in accordance with the provisions hereof.

Section 705. Obligations Unconditional. The obligations of the Borrower to make payments pursuant hereto and to perform and observe all agreements on its part contained herein shall be absolute and unconditional. Until this Loan Agreement is terminated or payment in full of the Bond is made, the Borrower (i) will not suspend or discontinue Note Payments, Additional Payments or other payments required to be paid hereunder, or neglect to perform any of its duties required hereunder; (ii) will perform and observe all of its obligations set forth in this Loan Agreement; and (iii) except as provided herein, will not terminate this Loan Agreement for any cause.

Nothing contained in this Section 705 shall be construed to release the Board from the performance of any of its obligations contained herein. In the event the Board fails to perform any such obligation, the Borrower may institute such action against the Board as the Borrower may deem necessary to compel performance so long as such action shall not violate the terms or conditions of this Loan Agreement, including particularly Section [1609] hereof. The Borrower may, however, at its own cost and expense and in its own name or, to the extent lawful and upon written notice to the Board, in the name of the Board, prosecute or defend any action or proceeding or take any other action involving third persons which the Borrower deems reasonably necessary in order to secure or protect its rights hereunder. In such event, the Board hereby agrees, to the extent reasonable, to cooperate fully with the Borrower, but at the Borrower's expense, and to take all action necessary to effect the substitution of the Borrower for the Board in any such action or proceeding if the Borrower shall so request.

The rights of the Board or the Bondholder or any party or parties on behalf of whom the Board or the Bondholder is acting (including, specifically, but without limitation, the right to receive Note Payments and Additional Payments) shall not be subject to any defense, set-off, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the Board or the Bondholder owing to the Borrower, or by reason of any other indebtedness or liability at any time owing by the Board or by the Bondholder to the Borrower.

Section 706. Payments to be Net Return to the Board. The Borrower agrees that the Note Payments and Additional Payments shall be a net return to the Board over and above any taxes or charges of any nature whatsoever which may now or hereafter be imposed on the receipts of the Board hereunder.

ARTICLE VIII

ADDITIONAL COVENANTS OF BORROWER

Section 801. Maintenance of the Project. Until the Bond shall have been completely redeemed or retired, and all other obligations incurred or to be incurred by the Borrower and the Board under this Loan Agreement shall have been paid or performed, the Borrower shall, at its sole cost and expense, keep and maintain the Project, both inside and outside, in a good state of repair and preservation, ordinary wear and tear excepted, and subject to obtaining all necessary regulatory approvals, will make all necessary repairs, renewals, replacements, betterments and improvements thereto so that the activities carried on in connection therewith may be properly and advantageously conducted at all times. The Borrower will not use or permit the use of the Project, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon. Subject to any applicable restrictions or requirements imposed by law, the Borrower shall provide all equipment, furnishings, supplies and other personal property required or convenient for the proper operation, repair and maintenance of the Project in an economical and efficient manner.

Section 802. Operation of the Project. The Borrower will faithfully and efficiently administer and operate the Project, or cause the Project to be so administered and operated, and further covenants and agrees that, so long as the Bond is Outstanding:

(a) it will not use the Project or any part thereof for sectarian instruction or for the purpose of proselyting, nor will it use the Project or any part thereof primarily as a place of religious worship or as a part of a program of a school or department of divinity for any religious denomination or for the training of clerical persons;

(b) it will not use or permit the Project to be used by any Person in any manner which would result in the loss of tax exemption of interest on the Bond;

(c) it will maintain its status as an organization described in Section 501(c)(3) of the Code and exempt from federal income taxation under Section 501(a) of the Code;

(d) it will use its best efforts to comply with Title VI of the Civil Rights Act enacted by the Congress of the United States in the operation and maintenance of the Project and otherwise will conform to applicable federal and State laws prohibiting discrimination based on race, religion, creed, color, age, handicap, sex or national origin;

(e) it will use the Project only in furtherance of the lawful corporate purposes of the Borrower; and

(f) it will continue to be duly qualified to do business in the State and, subject to the provisions of this Loan Agreement, will maintain its existence.

Section 803. Compliance With Laws. The Borrower shall, throughout the term of this Loan Agreement, seasonably comply or cause compliance in all material respects with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be necessary to the operation and maintenance of the Project, or to the use or manner of use of the Project.

Section 804. Taxes, Permits and Other Charges. The Borrower agrees to pay, in addition to payment of the Note Payments and Additional Payments, promptly as and when the same shall become due and payable, each and every lawful, reasonable and prudent cost, expense and obligation of every kind and nature for the payment of which the Board, the Bondholder or the Borrower is or shall become liable by reason of its estate or interest in the Project, or any portion thereof, by reason of any right or interest of the Board, the Bondholder or the Borrower in or under any Note, the Mortgage, this Loan Agreement, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Project or any part thereof. The Borrower shall pay and discharge, promptly as and when the same shall become due and payable, all lawful real estate taxes, personal property taxes, business and occupation taxes, occupational license taxes, water charges, garbage disposal charges, license fees, assessments, including, but not limited to, assessments for public improvements or benefits imposed on the Project, or for which the Borrower, the Bondholder or the Board is liable and all other governmental taxes, impositions and charges of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties, if any, which at any time during the term of this Loan Agreement shall be or become due and payable by the Board, the Bondholder or the Borrower because of their respective rights or obligations under this Loan Agreement and which shall be lawfully levied, assessed or imposed under or by virtue of any present or future law, statute, ordinance, regulation or other requirement of any governmental authority, whether federal, State, county, city, municipal, school or otherwise, provided, that with respect to special assessments, or other governmental charges that may lawfully be paid in installments over a period of years, the Borrower shall be obligated to pay only such installments as are required to be paid during the term hereof.

The Borrower, upon written notice thereof to the Bondholder, may contest in good faith any such tax, imposition, charge or assessment levied by any governmental authority, and in such event may permit such tax, imposition, charge or assessment to remain unsatisfied during the period of such contest and any appeal therefrom, and the Board shall cooperate with the Borrower to the extent necessary in any such contest, provided that (1) such contest not materially impair the obligations of the Borrower under this Loan Agreement or materially adversely affect or impair the lien of the Mortgage and (2) such action shall not endanger the Project and no material part thereof shall become subject to imminent loss or forfeiture (in which event such tax, imposition, charge or assessment shall be paid by the Borrower). The Borrower shall, at its sole cost and expense, procure or cause to be procured any and all necessary building permits, licenses, other permits and other authorizations required for the lawful and proper construction, use, occupation, operation and management of the Project. The Borrower also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light,

heat, power, telephone and other utility service used, rendered or supplied to, upon or in connection with the Project. The Borrower shall furnish to the Bondholder, promptly upon request, proof of the payment of any such tax, imposition, charge or assessment or any utility charge which is payable as set forth above.

Section 805. Liens and Encumbrances. The Borrower covenants and agrees that, except for Permitted Encumbrances, it will not create or suffer to be created any lien, encumbrance or charge upon the Project, or any part thereof, and that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after the same shall occur, all claims and demands for labor, materials, supplies or other items which, if not satisfied, might by law become a lien upon or against the Borrower or the Project, or any part thereof; provided that liens for labor and materials arising by operation of statutory law shall not be within the purview of this paragraph if, when such liens shall be perfected, the Borrower shall cause them to be discharged within thirty (30) days. If any such lien shall be filed or asserted against the Borrower or the Project, by reason of work, labor, services or materials supplied or claimed to have been supplied to the Borrower or with respect to the Project, at the request or with the permission of the Borrower or of anyone claiming under it, the Borrower shall, within thirty (30) days after it receives notice of the filing thereof or the assertion thereof against itself or the Project, cause the same to be discharged of record, or effectively prevent the enforcement or foreclosure thereof, by contest, payment, deposit, bond, order of court or otherwise. Nothing in this Section shall require the Borrower to satisfy or discharge any such claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings without cost or expense to the Board or the Bondholder, provided that the Borrower's failure to satisfy or discharge such claim or demand will not (1) materially impair the obligations of the Borrower under this Loan Agreement or materially adversely affect the lien of the Mortgage or (2) cause any material part of the Project to be subject to imminent loss or forfeiture (in which event such claim or demand shall be satisfied by the Borrower).

Section 806. Inspection. Upon due notice given to the Borrower in advance, the Bondholder and the Board shall have free and unobstructed access at all reasonable times to the Project for purposes of inspection.

Section 807. Maintenance of Tax Exemption. The Borrower and the Board covenant that neither of them will take or permit any investment of any moneys which would cause the Bond to be treated as an "arbitrage bond" under the Code and that neither of them will otherwise take any action that would adversely affect the exemption of interest on the Bond from federal income taxation.

Without limiting the generality of the foregoing, the Borrower agrees (a) that all proceeds of the Bond will be expended within three years after issuance thereof, and [(b) that at no time within three years after issuance of the Bond will the Borrower become an owner or principal user, or permit an organization having common management or control with the Borrower to become an owner or principal user, of a facility financed with obligations the interest on which is exempt from federal income tax if the sum of the outstanding principal amount of the Bond

plus the aggregate principal amount of such other obligations shall exceed \$150,000,000, and are within the meaning and subject to the terms of Section 145 of the Code.]

Section 808. Arbitrage and Rebate. The Borrower hereby covenants and agrees that it will make the determinations and take the actions required in order to maintain compliance with Section 148(f) of the Code and the Treasury Regulations pertaining thereto.

[Section 809. Prior Loan and Mortgage. The parties hereto hereby acknowledge that the Bondholder has previously loaned moneys to the Borrower to finance the acquisition, construction and equipping of the Project, which loan was secured by a mortgage on the Mortgaged Premises dated _____, 1998 recorded in the office of the Craighead County Circuit Clerk in Mortgage Book _____ at Page _____ on _____, 1998 (the "Prior Mortgage"). The Borrower hereby acknowledges that the Prior Mortgage shall, until released by the Bondholder, provide additional security for the obligations of the Borrower hereunder and under the Note. The Borrower acknowledges, however, that the Bondholder is under no obligation to make any additional advances with respect to the loan originally secured by the Prior Mortgage. In addition, the Borrower hereby agrees to indemnify the Bondholder for any losses it may suffer upon realizing on its liens on the Mortgaged Premises pursuant to the Prior Mortgage and the Mortgage as a result of mechanics' or materialmen's liens on the Project.]

ARTICLE IX

INSURANCE AND INDEMNIFICATION

Section 901. Insurance. The Borrower shall keep and maintain the Project at all times insured against such risks and in such amounts, with such deductibility provisions, as are customary in connection with the operation of facilities of a type and size comparable to the Project.

Section 902. Insurers and Policies. Each insurance policy with respect to the Project required by Section 901 hereof (a) shall be issued or written by a financially responsible insurer (or insurers), (b) shall be in such form and with such provisions (including, without limitation and where applicable, loss payable clauses payable to the Bondholder, provisions relieving the insurer of liability to the extent of minor claims and the designation of the named insureds) as are generally considered standard provisions for the type of insurance involved, and (c) shall prohibit cancellation or substantial modification by the insurer without at least thirty (30) days prior written notice to the Bondholder and the Borrower.

Section 903. Borrower's Liability. No acceptance or approval of any insurance policy by the Bondholder shall relieve or release the Borrower from any liability, duty or obligation under the provisions of this Loan Agreement.

Section 904. Indemnification and Nonliability of Board. The Borrower covenants and agrees at its expense, to pay, and to indemnify and save the Board and its members, directors,

officers, employees and agents harmless of, from and against, (1) any and all claims, damages, demands, expenses, liabilities, taxes and losses of any character or nature whatsoever regardless of by whom imposed, and losses of every conceivable kind, character and nature whatsoever including, but not limited to, claims for loss or damage to any property or injury to or death of any Person, asserted by or on behalf of any Person, and arising out of, resulting from or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or any work done in or about the Project; and (2) all costs, expenses, charges, counsel fees and liabilities incurred in any action or proceeding brought by reason of any such claims, damages, demands, expenses, liabilities, taxes or losses. In the event that any action or proceeding is brought against the Board or any of its members, directors, officers, employees or agents by reason of any such claims, damages, demands, expenses, liabilities, taxes or losses, the Borrower, upon notice from the Board, covenants to resist and defend any and all actions or proceedings relating to any such claims, damages, demands, expenses, liabilities, taxes or losses on demand of the Board.

Notwithstanding the foregoing, neither the Board, nor its directors, officers, employees or agents, shall be indemnified against liability for damage arising out of any action caused by its willful, grossly negligent or malicious acts or omissions or the willful, grossly negligent or malicious acts or omissions of its members, directors, officers, agents or employees.

[The Borrower also covenants and agrees, at its expense, to pay, and to indemnify and save harmless the Board and the Bondholder, and their members, directors, officers, employees and agents, from and against all costs, expenses, charges, counsel fees and liabilities incurred in obtaining possession of the Project after default of the Borrower, or in enforcing any covenant or agreement of the Borrower contained in the Note, the Mortgage or this Loan Agreement.]

Section 905. Environmental Indemnification. [TO BE PROVIDED.]

ARTICLE X

ALTERATIONS, IMPROVEMENTS AND ADDITIONS

Section 1001. Remodeling, Modifications, Improvements and Additions. The Borrower shall have the privilege of remodeling the Project or making additions, modifications or improvements thereon or thereto from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, provided that such action will not significantly alter the character or purpose of or detract from the value or operating efficiency thereof and will not significantly impair the usefulness of the Project or adversely affect the ability of the Borrower to comply with the provisions of the Note, the Mortgage or this Loan Agreement. Any remodeling of the Project and any additions, modifications or improvements thereto shall become a part of the Project and be subjected to the provisions of this Loan Agreement and the Mortgage.

Section 1002. No Credit for Remodeling, Additions, Modifications or Improvements. The Borrower shall not be entitled to any credit upon Note Payments, Additional Payments or other obligations under this Loan Agreement on account of any remodeling, addition, modification or improvement of any property constituting part of the Project.

Section 1003. Execution of Other Documents; Release of Property. The Bondholder, the Board and the Borrower shall execute any documents reasonably requested by another party in connection with any action taken by any of them under Section 1001 hereof, including, but not limited to, documents required to subject added property to, or release removed property from, the Mortgage and this Loan Agreement.

ARTICLE XI

SUBLEASING, ASSIGNMENT AND MORTGAGING

Section 1101. Subleases and Operating Contracts. Subject to the provisions of Section 1102 hereof, the Borrower may sublease any part of the Project, or contract for the performance by others of operations or services on or in connection with the Project, or any part thereof, for any lawful purpose, provided that (a) no such sublease or contract shall be materially inconsistent with the provisions of the Note, the Mortgage or this Loan Agreement, (b) the Borrower shall be obligated and responsible under the Note, the Mortgage and this Loan Agreement to the same extent as if such sublease or contract had not been executed, (c) no assignee or sublessee shall be allowed to utilize a substantial portion of the Project primarily for an activity which would not itself qualify as a permitted facility under the Act, and (d) no assignment shall be for security purposes. In addition, each such sublease or contract (not in existence on the date of this Loan Agreement) for greater than 5% of the Project square footage shall be expressly conditioned upon, and shall by its terms not be effective until a signed opinion of Bond Counsel shall be rendered to the Bondholder and the Board to the effect that the exemption from federal income taxation of the interest on the Bond shall not be adversely affected by any such sublease or contract. Whenever any Event of Default shall have happened and for so long as it shall be continuing, the Bondholder may, by writing addressed to the Borrower and to any assignee or sublessee known to the Bondholder, direct that future rents or other moneys due to the Borrower pursuant to any such sublease or assignment be paid directly to the Bondholder, and any sublease or assignment shall contain a provision recognizing the rights of the Bondholder in this regard. Any sums received by the Bondholder pursuant hereto shall be treated as a Note Payment.

The Borrower shall not sublease the Project substantially as an entirety except in accordance with Section 1102 of this Loan Agreement.

The Borrower shall furnish to the Board within twenty (20) days prior to the effective date thereof a true and correct copy of any sublease or contract mentioned in this Section 1101 and any change or supplement thereto and a signed counterpart of the Bond Counsel opinion mentioned in this Section 1101.

Section 1102. Merger, Consolidation or Transfer of Assets by Borrower. During the term of this Loan Agreement, the Borrower will maintain its existence and will not dissolve or dispose of all or a substantial portion of the Project or other assets and will not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it; except that the Borrower may, without violating the foregoing, consolidate with or merge into another Person qualified to do business in the State, or permit one or more other such other Persons to consolidate with or merge into it, or transfer (by sale, lease or otherwise) all or a substantial portion of its interest in the Project or other assets to another such Person if the Bondholder shall have received the following:

(a) An Opinion of Counsel, reasonably acceptable to the Bondholder, stating that (i) the surviving, resulting or transferee Person has expressly assumed in writing all of the obligations of the Borrower contained in the Note, the Mortgage and this Loan Agreement; (ii) the lien created by the Mortgage will not be adversely affected in any manner thereby; (iii) the surviving, resulting or transferee Person has received all necessary regulatory approvals relating to such merger, consolidation or transfer and relating to operation of the Project thereafter; and (iv) immediately upon consummation of the merger, consolidation or transfer of assets, no Event of Default or event which would become an Event of Default shall have happened and be continuing;

(b) An Accountant's Opinion, reasonably acceptable to the Bondholder, stating that the surviving, resulting or transferee Person will have a net worth (after giving effect to such merger, consolidation or transfer) greater than or equal to the net worth of the Borrower immediately prior to the consolidation, merger or transfer;

(c) An opinion of Bond Counsel, reasonably acceptable to the Bondholder, stating that the exemption from federal income taxation of interest on the Outstanding Bond will not be impaired as a result of such consolidation, merger or transfer.

Section 1103. No Assignments by Borrower Except as Permitted. Except as otherwise expressly permitted in this Article XI, the Borrower shall not assign its rights or interests under this Loan Agreement.

ARTICLE XII

PERMITTED INDEBTEDNESS

Section 1201. Permitted Indebtedness Generally. The Borrower covenants and agrees that prior to the execution and delivery of this Loan Agreement, the Borrower has not incurred any indebtedness which is currently Outstanding and, during the term of this Loan Agreement, will not hereafter incur any indebtedness (which term shall include, without limitation, obligations for borrowed money, guaranties, leases of personal property, installment purchase agreements for real or personal property, obligations under any agreement or agreements substantially similar in effect to a lease of real or personal property, and all liabilities which

would appear on a balance sheet, including any of the foregoing entered into by any joint venture in which the Borrower may participate or by any partnership of which it may be a general partner), secured or unsecured, in an amount which might impair the security for the Bond or detrimentally affect the Borrower's ability to make the Note Payments and Additional Payments required by this Loan Agreement.

ARTICLE XIII

PERFORMANCE OF BORROWER'S OBLIGATIONS BY BOARD

Section 1301. Performance of Borrower's Obligations by Board. If the Borrower at any time shall fail to make any payment or perform any act on its part to be performed under this Loan Agreement, then, subject to the provisions of Section 1402 hereof, the Board may (but shall not be obligated to), upon five (5) days prior written notice to the Borrower, without waiving or releasing the Borrower from any obligations or default, make any such payment or perform any such act for the account and on behalf of the Borrower, and may enter upon the Project for said purpose and may remain thereon as long as may be reasonably necessary therefor. All sums so paid by the Board and all necessary and reasonable expenses (including, without limitation, attorneys' fees) in connection with the performance of any such act by the Board, together with interest thereon at the maximum rate permitted by law from the date of the making of such advance or the assuming of such costs and expenses by the Board (to the extent permitted by applicable law), shall be payable by the Borrower to the Board on demand, and the Borrower covenants to pay any such sum or sums as aforesaid; provided, however, that no interest rate charged under this provision shall exceed the maximum rate permitted by law.

ARTICLE XIV

EVENTS OF DEFAULT; TERMINATION

Section 1401. Events of Default. The following shall be "Events of Default" under this Loan Agreement whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

(a) if there shall be a default in the due and punctual payment of principal of, premium, if any, or interest on the Bond as due;

(b) if default shall be made in the performance, observation or compliance, or breach of, any covenant, condition or agreement contained in the Note or in this Loan Agreement on the part of the Borrower to be performed and such default or breach continues for a period of thirty (30) days after the date on which written notice of such default or breach, requiring the same to be remedied, shall have been given to the Borrower by the Board or the Bondholder; provided, however, that if such performance, observation or compliance requires work to be

done, action to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such thirty (30) day period, no Event of Default shall be deemed to have occurred or to exist if, and so long as the Borrower shall commence such performance, observation or compliance within such thirty (30) day period and shall diligently and continuously prosecute the same to completion;

(c) if the Borrower shall file a voluntary petition in bankruptcy, or shall be adjudicated bankrupt or insolvent, or shall file any petition or answer seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, or shall seek or consent to or acquiesce in the appointment of any conservator, trustee, receiver or liquidator of the Borrower or of all or any substantial part of its properties or of the Project, or shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(d) if a petition shall be filed against the Borrower seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statute, law or regulation and shall remain undismissed, undischarged or unstayed for an aggregate of sixty (60) days (whether or not consecutive), or if any conservator, trustee, receiver or liquidator of the Borrower or of all or any substantial part of its properties or of the Project shall be appointed with or without the consent or acquiescence of the Borrower and such appointment shall remain undismissed, undischarged or unstayed for an aggregate of sixty (60) days (whether or not consecutive);

(e) if a court of competent jurisdiction shall have finally determined that the Borrower shall have defaulted under any other agreement, lease, mortgage or instrument of any kind (whether directly, as guarantor, as partner or joint venturer, or otherwise) and the Bondholder shall have determined in its reasonable discretion that such default will materially adversely affect its rights as owner of the Bond, and such default shall remain uncorrected for a period of ten (10) days after written notice to the Borrower from the Bondholder, which notice shall specify the reason for the determination by the Bondholder;

(f) if any final judgments or writs or warrants of attachment or of any similar judicial processes in an aggregate amount in excess of \$100,000 are entered or filed against the Borrower or against the Project or any of its other tangible or intangible property and remain undismissed, undischarged, paid, unbonded or unstayed for a period of thirty (30) days, and the Bondholder shall have determined in its reasonable discretion that such proceeding or proceedings will materially adversely affect its rights as owner of the Bond, and such default shall remain uncorrected for a period of ten (10) days after written notice to the Borrower from the Bondholder, which notice shall specify the reasons for the determination by the Bondholder;
or

(g) if there shall be an event of default under the Note;

Provided, however, that if after any Event of Default shall have occurred and prior to the Bondholder's exercising any of the remedies provided in Section 1402 hereof, the Borrower

shall have completely cured such default by depositing with the Bondholder sufficient moneys or by performing such other acts or things in respect of which it may have been in default under this Loan Agreement as the Bondholder shall determine, then in every such case such default shall be waived, rescinded and annulled by the Bondholder by written notice given to the Borrower; but no such waiver, rescission and annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

Section 1402. Remedies. If any Event of Default shall occur and be continuing, the Bondholder may exercise any one or more of the following remedies:

(a) Declare all Note Payments, Additional Payments and any other payments required hereunder to be immediately due and payable (being an amount equal to that necessary to pay in full the principal of and interest accrued on the Bond then Outstanding, assuming acceleration of the Bond and to pay all other payments required hereunder or thereunder), whereupon the same shall become immediately due and payable by the Borrower;

(b) Enter and take possession of the Project or any part thereof without termination of this Loan Agreement, and use its best efforts to lease or sell the Project or any part thereof by public auction or proceedings in equity, holding the Borrower liable for the difference between the amounts received and the Note Payments, Additional Payments and other amounts payable by the Borrower hereunder;

(c) Have access to and inspect, examine and make copies of, the books, records and accounts of the Borrower;

(d) Terminate this Loan Agreement, exclude the Borrower from possession of the Project or any part thereof, and use its best efforts to lease or sell the Project or any part thereof to another for the account of the Borrower, holding the Borrower liable for the difference between the amounts received and the Note Payments, Additional Payments and other amounts payable by the Borrower hereunder;

(e) Terminate this Loan Agreement, exclude the Borrower from possession of the Project or any part thereof; and all payments theretofore made by the Borrower shall be retained as liquidated damages, and all interest of the Borrower in the Project shall terminate;

(f) Petition a court of competent jurisdiction for the appointment of a receiver and take possession of and manage and operate the Project for the benefit of the Board and the Bondholder; or

(g) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Borrower for the benefit of the Board and the Bondholder.

Except in the case of an Event of Default described in Section 1401(a) of this Loan Agreement, if the Bondholder as the assignee of the Board exercises any of its rights or remedies under this Section 1402, it shall give notice of such exercise to the Borrower and the Board (1) in writing in the manner provided in Section [1606] and (2) by telephone or telegram, provided that failure to give such notice by telephone or telegram shall not affect the validity of the exercise of any right or remedy under this Section 1402.

In taking all or any of the above actions, the Bondholder shall continue to hold the Borrower liable for the difference in the rent, sale price, surplus or receipts over expenditures and any other amounts received by the Bondholder and the amounts payable by the Borrower hereunder and, in addition, all expenses reasonably incurred by the Bondholder in exercising any of its rights and options under this Section 1402, the Note and the Mortgage.

Section 1403. Cooperation upon Event of Default. The Borrower covenants that if an Event of Default occurs and is continuing it will, upon notice from the Bondholder as assignee of the Board that it is exercising its rights under the Note, the Mortgage or this Loan Agreement, assist the Bondholder in taking possession of the Project.

Section 1404. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Board or the Bondholder is intended to be exclusive of any other remedy, and every remedy shall be cumulative and in addition to every other remedy herein or now or hereafter existing at law, in equity or by statute, including among other remedies, injunctions to restrain violations or attempted violations of any provision of this Loan Agreement by the Borrower, and the Board and the Bondholder may exercise any or all remedies at one time or from time to time. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time as often as may be deemed expedient.

Section 1405. Right of Entry. If the Bondholder exercises one or any of the remedies provided for in Section 1402 hereof, the Bondholder may then or at any time thereafter, subject to compliance with any applicable law, take complete and peaceful possession of the Project or any portion thereof and may remove all Persons therefrom; and the Borrower covenants in any such event to peacefully and quietly yield up or surrender the Project or such portion thereof to the Bondholder.

Section 1406. Right to Lease. Subject to compliance with any applicable law, if the Bondholder elects to lease the Project or any part thereof, it shall apply any rents received in accordance with the provisions of this Loan Agreement. In the event that the proceeds from such lease are not sufficient to pay in full the foregoing, the Borrower shall remain and be liable for the deficiency. The Borrower promises and agrees to pay the amount of any such deficiency from time to time, and the Bondholder may at any time and from time to time sue and recover judgment for any such deficiency or deficiencies.

Section 1407. Bondholder May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment,

composition or other judicial proceeding relative to the Borrower, the Project or any property of the Borrower, the Bondholder shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Bondholder (including any claim for the reasonable compensation, expenses, disbursements and advances of the Bondholder, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

Section 1408. Restoration of Positions. If the Bondholder has instituted any proceeding to enforce any right or remedy under the Note, the Mortgage or this Loan Agreement, by foreclosure, entry or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bondholder, then and in every such case the Borrower, the Board and the Bondholder shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Board or of the Bondholder shall continue as though no such proceeding had been instituted.

Section 1409. Waiver of Appraisalment, Etc., Laws. To the full extent that it may lawfully so agree, the Borrower will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of the Note or this Loan Agreement, or the leasing or sale of the Project or any part thereof, or the possession of the Project or any part thereof by any purchaser at any sale; and the Borrower, for itself and all who may claim under it, so far as it or they now or hereafter lawfully may do so, hereby waives the benefit of all such laws. The Borrower, for itself and all who may claim under it, waives, to the extent that it lawfully may do so, all rights to have the property comprising the Project, including the personal property secured under any amendment to the Note, the Mortgage or this Loan Agreement, marshalled upon any foreclosure thereof, and agrees that any court having jurisdiction to foreclose the Project may order the sale of the Project or any portion thereof, including any personal property secured under any amendment to the Note, the Mortgage or this Loan Agreement as an entirety.

If any law in this Section 1409 referred to and now in force, of which the Borrower or its successor or successors might take advantage despite this Section 1409, shall hereafter be repealed to cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 1409.

Section 1410. Suits to Protect the Security. The Bondholder shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Project or any portion thereof by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as the Bondholder may deem expedient to

protect its interests in the Project or any portion thereof, including power to institute and maintain proceedings, to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the security or be prejudicial to the interests of the Bondholders.

Section 1411. Attorneys' Fees and Other Expenses. The Borrower shall on demand pay to the Board and the Bondholder the reasonable fees and expenses of attorneys and other reasonable expenses incurred by any of them in the collection of Note Payments, Additional Payments or any other sums due or the enforcement of performance of any other obligations of the Borrower under this Loan Agreement.

Section 1412. No Waiver of Pecuniary Default; No Additional Waiver Implied by One Waiver. Except as provided in Section 1401, nothing herein shall be construed to authorize the Bondholder or the Board to waive a default in the making of any Note Payments, Additional Payments or other obligations of the Borrower under this Loan Agreement. If the Board or the Bondholder waive a default by the Borrower under any covenant, condition or agreement herein, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other default hereunder.

If by reason of *force majeure* the Borrower is unable, in whole or in part, to observe and perform any of its covenants, obligations or agreements under this Loan Agreement, other than its obligations to make Note Payments and Additional Payments, and certain other obligations specified in this Loan Agreement, the Borrower shall not be deemed in default during the continuance of such inability. The term *force majeure* shall include, without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or the State or any political subdivision thereof or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; nuclear accidents; or any other cause or event not reasonably within the control of the Borrower. The Borrower shall, however, remedy with all reasonable dispatch the cause or causes preventing the Borrower from carrying out its covenants, obligations and agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Borrower, and the Borrower shall not be required to make settlements of strikes, lockouts and other industrial disturbances by acceding to the demands of any opposing party when such course is, in the judgment of the Borrower, unfavorable to the Borrower.

Section 1413. Remedies Subject to Provisions of Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling and to be limited

to the extent necessary so that they will not render this Loan Agreement invalid or unenforceable under the provisions of any applicable law.

ARTICLE XV

RIGHTS IN FAVOR OF BORROWER

Section 1501. Right to Terminate Loan Agreement. The Borrower may terminate this Loan Agreement upon payment of the Bond in full and of any and all other sums then due to the Board and the Bondholder under this Loan Agreement.

Section 1502. Right to Prepay Note Payments. The Borrower shall have the right to prepay the Note Payments in whole at any time. The amounts so prepaid shall, so long as all Note Payments previously or then due have been made, be deposited in a segregated fund to be maintained by the Bondholder and shall be used to redeem the Bond as directed by the Borrower and to the extent permitted under this Loan Agreement.

Section 1503. Release for Easements and Rights of Way. The Board is hereby authorized to and shall, upon Written Request of the Borrower, join with the Borrower in taking the necessary steps, or (if required) executing an appropriate release, to grant sewer, utility, road and street easements, street dedications and/or rights of way, as the case may be, over, along, across and under its interest in the Mortgaged Premises, upon satisfaction of the following conditions:

(a) The Bondholder and the Board shall receive a Written Request of the Borrower specifying the location, type and need for the easement, dedication and/or right of way, as the case may be, accompanied by a certificate of an Independent architect stating that the location of the easement, dedication and/or right of way will not unreasonably interfere with the present or future use of the Project as provided in Section [801] hereof, including adequate means of ingress thereto and egress therefrom; and

(b) The Bondholder and the Board shall receive a satisfactory plat or survey showing the location of the proposed easement, dedication and/or right of way.

ARTICLE XVI

MISCELLANEOUS

Section 1601. Waiver of Statutory Rights. The rights, remedies and obligations of the Board and the Borrower under the Note, the Mortgage and this Loan Agreement shall not be adversely affected by any laws, ordinances or regulations, whether federal, State, county, city, municipal or otherwise, which may be enacted or become effective from and after the date of this Loan Agreement.

Section 1602. Remedies Cumulative. Each right, power and remedy of the Board provided for in the Note, the Mortgage and this Loan Agreement shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided in the Note, the Mortgage and this Loan Agreement, or now or hereafter existing at law or in equity or by statute or otherwise, in any jurisdiction where such rights, powers and remedies are sought to be enforced, and the exercise or beginning of the exercise by the Board or the Bondholder of any one or more of the rights, powers or remedies provided for in the Note, the Mortgage or this Loan Agreement now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the Board or the Bondholder of any or all such other rights, powers or remedies.

Section 1603. Amendments, Changes and Modifications. Except as otherwise provided in the Note, the Mortgage or this Loan Agreement, subsequent to the issuance of the Bond and prior to the payment in full of the Bond, the Note, the Mortgage and this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Bondholder.

Section 1604. Applicable Law. This Loan Agreement, the Note and the Mortgage shall be governed exclusively by the provisions hereof and by the applicable laws of the State.

Section 1605. Severability. In the event that any clause or provision of the Note, the Mortgage or this Loan Agreement shall be held to be invalid by any court of competent jurisdiction, the invalidity of such clause or provision shall not affect any of the remaining provisions of such instrument.

Section 1606. Notices and Demands. All notices, certificates, demands, requests, consents, approvals and other similar instruments under this Loan Agreement shall be in writing and shall be deemed to have been properly given and received if sent by United States first class mail, postage prepaid, upon deposit thereof in a duly constituted United States Post Office or branch thereof located in the United States or upon deposit with an overnight delivery service, and

(a) if to the Borrower, addressed to Northeast Arkansas Community Mental Health Center, Inc., d/b/a Mid-South Health Systems, Inc., at 2920 McClellan Drive prior to completion of the Project, and at 2707 Browns Lane subsequent to completion of the Project, Jonesboro, Arkansas 72401, Attention: Executive Director, or at such other address as the Borrower may have designated from time to time by written notice to the Board and the Bondholder;

(b) if to the Board, addressed to the City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board, Jonesboro City Hall, P.O. Box 580, Jonesboro, Arkansas 72401, Attention: Chairman, or at such address as the Board may have designated from time to time by written notice to the Borrower and the Bondholder;

(c) if to the Bondholder, addressed to Mercantile Bank of Arkansas, P.O. Box 15008, Little Rock, Arkansas 72231-5008, Attention: Fred N. Rowland, or at such other address or to such other person as the Bondholder may have designated from time to time by written notice to the Board and the Borrower.

The Board, the Borrower and the Bondholder may, by notice given to all of the other parties hereto, designate any further or different addresses to which subsequent notices, certificates or other communications to the party giving such notice shall be sent.

The Board shall promptly forward to the Borrower copies of any notice received by it from the Bondholder.

Section 1607. Successors and Assigns. The terms and provision of this Loan Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 1608. Multiple Counterparts. This Loan Agreement may be executed in multiple counterparts, each of which shall be an original but all of which together shall constitute but one and the same instrument.

Section 1609. No Liability of Individual Officers or Members of Board or Officers or Directors of the Borrower. No recourse under or upon any obligation, covenant or agreement contained in this Loan Agreement shall be had against any director or member, as such, past, present or future, of the Board, either directly or through the Board, or against any officer or director of the Borrower, past, present or future, as an individual so long as such individual was acting in good faith. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such director or member of the Board or any such officer or director of the Borrower is hereby expressly waived and released by the Borrower, the Board and the Bondholder as a condition of and consideration for the execution of this Loan Agreement.

Section 1610. Limitations of Warranties. The Board makes no representations or warranties, except those representations and warranties expressly made by the Board in this Loan Agreement or other documents related to the issuance of the Bond.

Section 1611. Captions. Any captions preceding the texts of the several sections and articles hereof and the table of contents shall be solely for convenience of reference and shall not constitute a part of this Loan Agreement, nor shall they affect its meaning, construction and effect.

Section 1612. Entire Agreement. This Loan Agreement constitutes the entire agreement and supersedes all prior agreements both written and oral with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Board has caused its name to be hereunto subscribed by its duly authorized Chairman, and attested [under its seal] by its Secretary pursuant to a resolution duly adopted by the Board; the Borrower has caused its name to be hereunto subscribed by its _____ and attested [under its seal] by its _____; and the Bondholder has caused its name [and seal] to be hereunto subscribed and attested by its duly authorized officers; all being done as of the year and day first above written.

ATTEST:

**CITY OF JONESBORO, ARKANSAS
RESIDENTIAL HOUSING AND HEALTH CARE
CARE FACILITIES BOARD**

Secretary

By: _____
Chairman

(S E A L)

ATTEST:

**NORTHEAST ARKANSAS COMMUNITY
MENTAL HEALTH CENTER, INC.,
d/b/a Mid-South Health Systems, Inc.**

Title:

By: _____
Title:

(S E A L)

ATTEST:

MERCANTILE BANK OF ARKANSAS

Title:

By: _____
Title:

(S E A L)

ACKNOWLEDGMENT

STATE OF ARKANSAS)
)
COUNTY OF CRAIGHEAD)

On this _____ day of _____, 1998, before me, a Notary Public duly commissioned, qualified and acting within and for the County and State aforesaid, appeared in person the within named James Goad and Larry Flowers, to me personally known, being Chairman and Secretary, respectively, of the City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board, a duly constituted facilities board under the laws of the State of Arkansas, who stated that they were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of such board, and further stated and acknowledged that they had so signed, executed and delivered the foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission expires:

(S E A L)

ACKNOWLEDGMENT

STATE OF ARKANSAS)
)
COUNTY OF CRAIGHEAD)

On this ____ day of _____, 1998, before me, a Notary Public duly commissioned, qualified and acting within and for the County and State aforesaid, appeared in person the within named _____ and _____, to me personally known, being _____ and _____, respectively, of Northeast Arkansas Community Mental Health Center, Inc., d/b/a Mid-South Health Systems, Inc., a not-for-profit corporation duly organized and existing under the laws of the State of Arkansas, who stated that they were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of such corporation, and further stated and acknowledged that they had so signed, executed and delivered the foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission expires:

(S E A L)

ACKNOWLEDGMENT

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

On this _____ day of _____, 1998, before me, a Notary Public duly commissioned, qualified and acting within and for the County and State aforesaid, appeared in person the within named _____ and _____, to me personally known, being _____ and _____, respectively, of Mercantile Bank of Arkansas, a banking organization duly organized and existing under the laws of the [United States of America], who stated that they were duly authorized in their respective capacities to execute the foregoing instrument for and in the name and behalf of such bank, and further stated and acknowledged that they had so signed, executed and delivered the foregoing instrument for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission expires:

(S E A L)

EXHIBIT A

FORM OF BOND

REGISTERED
NO. R98-1

REGISTERED
Not to Exceed \$4,500,000

**UNITED STATES OF AMERICA
STATE OF ARKANSAS
CITY OF JONESBORO, ARKANSAS
RESIDENTIAL HOUSING AND
HEALTH CARE FACILITIES BOARD
CAPITAL IMPROVEMENT REVENUE BOND
(MID-SOUTH HEALTH SYSTEMS, INC. PROJECT)
SERIES 1998**

Interest Rate: 5.25% (except as adjusted as provided herein)

Maturity Date: _____, 2019

Dated Date: _____, 1998

Registered Owner: Mercantile Bank of Arkansas

Principal Amount: Not to Exceed Four Million Five Hundred Thousand Dollars

KNOW ALL MEN BY THESE PRESENTS, that the City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board (the "Board"), a body politic and corporate and a public instrumentality, duly organized and existing pursuant to ordinances of the City of Jonesboro, Arkansas (the "City"), and under provisions of the "Public Facilities Boards Act," Arkansas Code Annotated §§14-137-101 *et seq.* (1998 Repl.) (the "Act"), for value received, hereby promises to pay, but solely from the sources as hereinafter provided and not otherwise, to the order of the Registered Owner shown above, or registered assigns, the Principal Amount shown above (or so much of the Principal Amount as shall have been advanced as shown on the Record of Payment of Advances attached hereto), and to pay in like coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, interest thereon at the rate of 5.25% per annum from the date of each advance (or at such other interest rate or rates as in effect from time to time as described herein and in Section 307 of the Loan Agreement, as defined herein).

Prior to the Completion Date (as defined in the Loan Agreement) with respect to the Project (as hereinafter defined), interest only shall be payable on or before the first day of each month commencing _____ 1, 1998, on the principal amount advanced hereon in accordance with schedules to be provided to Northeast Arkansas Community Mental Health Center, Inc. d/b/a Mid-South Health Systems, Inc., an Arkansas not-for-profit corporation (the "Borrower") by the Bondholder. Following the Completion Date with respect to the Project, principal and interest shall be payable on or before the first day of each month, in accordance

with amortization schedules (based on a 20-year level amortization of principal and interest) to be provided to the Borrower by the Bondholder. Final payment of principal and interest shall be made on _____ 1, 2019, unless (i) this Bond is redeemed prior to such date at the option of the Board (as directed by the Borrower) as described below, or (ii) this Bond is presented for payment by the Bondholder on _____ 1, 2004, _____ 1, 2009 or _____ 1, 2014, as described below.

Payments of principal and interest on this Bond shall be made by check or draft mailed to the Bondholder. Each principal or interest payment shall fully discharge the obligation of the Board to the extent of the payment so made.

Upon at least ninety (90) days' written notice to the Borrower prior to _____ 1, 2004, _____ 1, 2009, and _____ 1, 2014, the Bondholder may prospectively adjust the interest rate to be borne by this Bond from and including such _____ 1, 2004, _____ 1, 2009, or _____ 1, 2014, as applicable. If no such notice is given by the Bondholder, this Bond will continue to bear interest at the interest rate per annum then in effect.

If the Bondholder does not present the Bond for payment pursuant to Section 305(c) of the Loan Agreement (as described below) on _____ 1, 2004, _____ 1, 2009 or _____ 1, 2014, the Bondholder may, one time during each of the five year periods commencing on such dates, prospectively adjust the interest rate to be borne by this Bond. Such adjusted rate shall take effect ninety (90) days following written notice thereof to the Borrower.

If at any time there is a change in the effective federal tax rate of the Bondholder with respect to interest received on this Bond, this Bond shall bear interest at an interest rate per annum to be calculated by the Bondholder so as to approximate the return to the Bondholder prior to the change in the Bondholder's effective federal tax rate. Such determination by the Bondholder shall be conclusive and shall take effect ninety (90) days following written notice thereof to the Borrower.

Upon at least ninety (90) days' written notice to the Borrower and the Board prior to _____ 1, 2004, _____ 1, 2009, and _____ 1, 2014, the Bondholder may present the Bond for payment in full (principal plus accrued interest) on such dates.

This Bond is the duly authorized Bond of the Board designated "Capital Improvement Revenue Bond (Mid-South Health Systems, Inc. Project), Series 1998" (this "Bond"), issued to finance a portion of the costs of acquisition, construction and equipping of a mental health care facility (the "Project") to be owned and operated by the Borrower, and to pay a portion of the expenses of authorizing and issuing this Bond. This Bond is issued under and secured as to the payment of principal, premium, if any, and interest by (i) a Loan Agreement dated _____, 1998 (the "Loan Agreement"), by and among the Board, the Borrower and Mercantile Bank of Arkansas (the "Bondholder"), (ii) a secured promissory note from the Borrower to the Board (the "Note"), (iii) a mortgage on the Borrower's interest in the real property component of the Project, subject to certain permitted encumbrances and certain rights

reserved by the Borrower, executed and delivered by the Borrower to the Board, and assigned by the Board to the Bondholder (the "Mortgage"), and (iv) a security interest in the accounts, inventory, furniture, fixtures, equipment and certain other assets of the Borrower. Reference is hereby made to the Loan Agreement for a description of the Trust Estate (as defined in the Loan Agreement), the nature and extent of the security, the terms and conditions upon which this Bond is issued and secured, and the rights of the holder thereof.

This Bond is issued in full compliance with the Constitution and laws of the State of Arkansas, including particularly the Act. Under the terms of the Loan Agreement, the Borrower has issued the Note and is required to make Note Payments as defined therein sufficient to pay principal of, premium, if any, and interest on this Bond on or before the dates that the same become due and payable, which Note Payments shall be set aside as special funds pledged for that purpose as identified in the Loan Agreement.

This Bond is a "qualified tax-exempt obligation" designated as such by the Board for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

THIS BOND IS A SPECIAL OBLIGATION OF THE BOARD. NO COVENANT OR AGREEMENT IN THIS BOND OR IN THE LOAN AGREEMENT AND NO OBLIGATION HEREIN OR THEREIN IMPOSED UPON THE BOARD AND NO BREACH THEREOF SHALL CONSTITUTE OR GIVE RISE TO OR IMPOSE UPON THE BOARD A GENERAL LIABILITY OR A CHARGE UPON ITS GENERAL CREDIT OR PROPERTY OTHER THAN THE TRUST ESTATE (AS DEFINED IN THE LOAN AGREEMENT). NEITHER THE STATE OF ARKANSAS NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, INCLUDING THE CITY OF JONESBORO, ARKANSAS, IS LIABLE FOR THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS BOND. NEITHER THIS BOND NOR ANY AGREEMENT OF THE BOARD SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF THE STATE OF ARKANSAS, THE CITY OF JONESBORO, ARKANSAS, OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF ARKANSAS NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, INCLUDING THE CITY OF JONESBORO, ARKANSAS, IS PLEDGED TO THE PAYMENT OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS BOND.

Principal of, premium, if any, and interest on this Bond shall be payable solely from the revenues and other payments pledged to the Bondholder as part of the Trust Estate, including Note Payments received or receivable by the Board under the Note and the Loan Agreement, and all other moneys received or receivable by the Board under the Loan Agreement and the Mortgage.

This Bond is subject to redemption at the option of the Board (which option shall be exercised as directed by the Borrower) in whole at the times and redemption prices set forth below, plus accrued interest to the date of redemption:

<u>Redemption Date</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
Prior to _____ 1, 2000	No Redemption
_____ 1, 2000 to _____ 31, 2001	103%
_____ 1, 2001 to _____ 31, 2002	102%
_____ 1, 2002 to _____ 31, 2003	101%
_____ 1, 2003 to _____ 31, 2004	100%
_____ 1, 2004 to _____ 31, 2005	No Redemption
_____ 1, 2005 to _____ 31, 2006	103%
_____ 1, 2006 to _____ 31, 2007	102%
_____ 1, 2007 to _____ 31, 2008	101%
_____ 1, 2008 to _____ 31, 2009	100%
_____ 1, 2009 to _____ 31, 2010	No Redemption
_____ 1, 2010 to _____ 31, 2011	103%
_____ 1, 2011 to _____ 31, 2012	102%
_____ 1, 2012 to _____ 31, 2013	101%

<u>Redemption Date</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
_____ 1, 2013 to _____ 31, 2014	100%
_____ 1, 2014 to _____ 31, 2015	No Redemption
_____ 1, 2015 to _____ 31, 2016	103%
_____ 1, 2016 to _____ 31, 2017	102%
_____ 1, 2017 to _____ 31, 2018	101%
_____ 1, 2018 to _____ 31, 2019	100%

Written notice of the Board's intent to redeem the Bond (pursuant to direction from the Borrower) shall be delivered to the Bondholder at least three day's prior to the date selected for redemption.

Notwithstanding the redemption provisions described above, upon receipt of notice from the Bondholder of an adjustment in the interest rate of the Bond pursuant to Section 304(c) or (d) of the Loan Agreement (as described above), and prior to the effective date of such interest rate adjustment, this Bond is subject to redemption in whole at the option of the Board (which option shall be exercised as directed by the Borrower) at a redemption price equal to the outstanding principal amount of the Bond, plus accrued interest to the date of redemption. Written notice of the Board's intent to redeem the Bond (pursuant to direction from the Borrower) shall be delivered to the Bondholder at least three day's prior to the date selected for redemption.

If funds are duly provided for redemption of the Bond in whole in accordance with the Loan Agreement on or prior to the redemption date, the Bond will cease to bear interest on such redemption date.

The principal hereof may be declared or may become due on the conditions, in the manner and at the times set forth in the Loan Agreement upon the occurrence of an Event of Default as provided in the Loan Agreement.

Subject to the provisions for registration and the restrictions on transfer contained in the Loan Agreement, this Bond shall be negotiable.

No recourse under or upon any obligation, covenant or agreement contained in the Loan Agreement, or in this Bond thereby secured, or under any judgment obtained against the Board or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Loan Agreement, shall be had against any member or officer, as such, past, present or future, of the Board, either directly or through the Board or otherwise, for the payment for or to the Board or for or to the Bondholder, of any sum that may be due and unpaid by the Board upon this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner, and by the appropriate parties as required by law; and that a sufficient amount of revenues of the Borrower will be set aside for the prompt payment of the principal of, premium, if any, and interest on the Bond.

IN WITNESS WHEREOF, the Board has caused this Bond to be executed in its name by the manual signature of its Chairman [and its corporate seal to be impressed or imprinted hereon], and attested by the manual signature of its Secretary as of _____, 1998.

**CITY OF JONESBORO, ARKANSAS
RESIDENTIAL HOUSING AND HEALTH
CARE FACILITIES BOARD**

ATTEST:

By: _____
Chairman

By: _____
Secretary

(S E A L)

RECORD OF PAYMENT OF ADVANCES

<u>Date of Advance*</u>	<u>Amount of Advance</u>	<u>Total Principal Outstanding</u>	<u>Signature of Bondholder Officer</u>
/98	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____

* The date of each advance shall be the interest commencement date from which the principal amount of each advance bears interest.

EXHIBIT B

DESCRIPTION OF LAND INCLUDED IN MORTGAGED PREMISES

The following real property located in Craighead, Arkansas:

[TO BE PROVIDED]

EXHIBIT C

FORM OF NOTE

THIS NOTE HAS BEEN ASSIGNED TO MERCANTILE BANK OF ARKANSAS, AS SOLE OWNER OF THE BOND (THE "BONDHOLDER") ISSUED PURSUANT TO A LOAN AGREEMENT DATED _____, 1998 (THE "LOAN AGREEMENT"), BY AND AMONG THE CITY OF JONESBORO, ARKANSAS RESIDENTIAL HOUSING AND HEALTH CARE FACILITIES BOARD (THE "BOARD"), NORTHEAST ARKANSAS COMMUNITY MENTAL HEALTH CENTER, INC. (THE "BORROWER"), AND THE BONDHOLDER. THIS NOTE IS REGISTERED IN THE NAME OF THE BONDHOLDER AND IS NONTRANSFERABLE EXCEPT AS PERMITTED IN THE LOAN AGREEMENT.

SECURED NOTE

NORTHEAST ARKANSAS COMMUNITY MENTAL HEALTH CENTER, INC., d/b/a/ Mid-South Health Systems, Inc., a nonprofit corporation organized and existing under the laws of the State of Arkansas, as maker (the "Borrower"), for value received, hereby promises to pay to the CITY OF JONESBORO, ARKANSAS RESIDENTIAL HOUSING AND HEALTH CARE FACILITIES BOARD (the "Board"), or to its registered assigns, the principal sum of \$4,500,000 (or such lesser sum as shall be equal to the principal amount of the Bond [identified hereinbelow] advanced by the Bondholder and outstanding) and to pay to said party or parties interest thereon at the rates set forth in that certain Loan Agreement dated _____, 1998, as hereafter supplemented or amended (the "Loan Agreement"), by and among the Borrower, the Board and Mercantile Bank of Arkansas, Little Rock, Arkansas (the "Bondholder"). Payments due hereon shall be made on or before first day of each month commencing _____ 1, 1998, in monthly amounts as set forth in amortization schedules provided by the Bondholder to the Borrower as provided in the Loan Agreement. This Note is issued to evidence the payment obligations of the Borrower to the Board pursuant to the Loan Agreement, and it is entitled to the benefits and subject to the conditions thereof. This Note is also subject to the optional and obligatory prepayment provisions specified in the Loan Agreement, and all of the terms, conditions and provisions of the Loan Agreement are, by this reference thereto, incorporated herein as a part hereof. The principal of, premium, if any, and interest on this secured note (this "Note") shall be payable at the principal office of the Bondholder in Little Rock, Arkansas, in such coin or currency of the United States of America as at the time is legal tender for the payment of public and private debts.

This Note is issued under and in accordance with and secured by the Loan Agreement and a Mortgage dated _____, 1998 (the "Mortgage"), from the Borrower to the Board, upon the Borrower's interest in the real property described therein. As security for the payment of the Board's Capital Improvement Revenue Bond (Mid-South Health Systems, Inc. Project), Series 1998, issued in the aggregate principal amount of not to exceed \$4,500,000 (the "Bond"), the Board has assigned this Note and all of its rights under the Loan Agreement and

the Mortgage to the Bondholder. The Bond is payable from payments to be made by the Borrower on this Note, which are designed to be sufficient for that purpose.

The obligations of the Borrower to make the payments required by this Note are absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise. Until such time as the Bond shall have been paid in full under the Loan Agreement, the Borrower (i) will not suspend or discontinue any payments required to be made hereunder except to the extent the same have been prepaid; (ii) will perform and observe all of its other agreements contained in the Loan Agreement; (iii) will not terminate its obligations under this Note for any cause, including (without limitation) failure of consideration, condemnation of, or damage to, all or any part of the Project (as defined in the Loan Agreement), any change in the laws of the United States of America, the State of Arkansas, or any political subdivision of either.

Upon payment in full of the Bond as provided in the Loan Agreement, this Note shall be of no further operation or effect, and shall be cancelled and returned to the Borrower.

If certain Events of Default shall occur, as defined in the Loan Agreement, the principal installments of this Note may be declared due and payable in the manner and with the effect provided in the Loan Agreement. After assignment by the Board to the Bondholder, this Note shall be nontransferable except as specifically permitted in the Loan Agreement. Any such transfer may be made upon the surrender of this Note and the payment of any governmental tax or charge, and upon such transfer, the transferee's name shall be entered hereon and such transferee shall succeed to all rights of the Bondholder hereunder.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed by its duly authorized officers and its corporate seal to be affixed hereto and attested as of this _____, 1998.

ATTEST:

**NORTHEAST ARKANSAS COMMUNITY
MENTAL HEALTH CENTER, INC., d/b/a
Mid-South Health Systems, Inc.**

Title:

By: _____
Title:

(S E A L)

ASSIGNMENT

For value received, the registered owner last listed below assigns and delivers this Note to the Assignee last listed below:

<u>Registered Owner</u>	<u>Assignee</u>	<u>Date</u>	<u>Signature Guarantee</u>
City of Jonesboro, Arkansas Residential Housing and Health Care Facilities Board	Mercantile National Bank	_____, 1998	_____