

**In Re Everglades Memorial Hospital, Inc.  
98-31823-BKC-SHF**

**Banc One Leasing Corporation**

**v.**

**Everglades Memorial Hospital, Inc. and  
Palm Beach County Health Care District  
98-3185-BKC-SHF-A**

Order entered on April 26, 2006

Trial was held on August 22, 2005 on Plaintiff Banc One Leasing Corporation's ("Banc One") Fourth Amended Complaint (C.P. 95) against Defendant Palm Beach County Health Care District ("District"). On May 18, 2005 this Court entered an Order Setting Evidentiary Hearing on Fourth Amended Complaint (C.P. 234). The threshold issue was identified as follows:

[W]hether the Palm Beach County Health Care District had agreed to underwrite payments to Banc One under the subject lease beyond the five (5)-year guaranty provided in the Palm Beach County Health Care Act.

At trial, it was determined that The Palm Beach County Health Care Act (the "Act") was approved by the electorate in 1988. The Act created the Palm Beach County Health Care District (the "District") and "... vested [it] with the authority and responsibility to provide for comprehensive planning and delivery of adequate health care (including, but not limited to, hospitals) and services for the citizens of Palm Beach County, particularly medically needy citizens" (Banc One. Ex. 2 - Section 3) . The Act provided that the NW Board would be abolished and that "... all of the functions, rights, responsibilities, obligations, assets, and liabilities of said hospital board shall be transferred to and become the property and responsibility of the Palm Beach County Health Care District; said repeal, abolition, and transfer to take place 1 year after the effective date of this act." (Banc One Ex. 2 - Section 11(2)). Pursuant to the Act, the rights and powers of the District fully vested as of November 8, 1989.

It was Banc One's position that, because the Health Care District took over the rights and responsibilities of the NWBoard, that the Health Care District should also have to pay the obligation under the lease that Banc One entered into with the NW Board just prior to the effective date of the Health

Care Act. The Lease was to be paid by surplus revenues of Everglades Memorial Hospital. (the Debtor who is no longer operating) It is the Health Care District's position that they are not responsible for the lease obligation beyond the surplus revenues of the Hospital as specified in the lease agreement.

**Held:** Although the District did subsume the Lease Agreement upon its succession to the NW Board, the record establishes that the District did not undertake to pay the installments due under the Lease Agreement as a general obligation, payable from its general revenues, but instead committed to pay Banc One solely from the surplus gross revenues of EMH as specified in the Lease Agreement.

**Palm Beach County Health Care District has no further liability to Banc One Leasing Corporation under the terms of the October 26, 1989 lease/purchase agreement.**