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AFTER RECORDING RETURN TO:

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Portland, OR 97201

**SECOND AMENDED AND RESTATED TRUST
INDENTURE**

by and between the

**KLAMATH FALLS INTERCOMMUNITY
HOSPITAL AUTHORITY**

as Issuer

and

**FIRST INTERSTATE BANK OF OREGON, N.A.
(FORMERLY FIRST NATIONAL BANK OF OREGON)**

as Trustee

Relating To The Issuance Of

\$4,266,000

**Klamath Falls Intercommunity Hospital Authority
Refunding Gross Revenue Bonds, Series 1977
(Presbyterian Intercommunity Hospital Project)**

and

\$8,500,000

**Klamath Falls Intercommunity Hospital Authority
Gross Revenue Bonds, Series 1991
(Merle West Medical Center Project)**

and

\$13,000,000

**Klamath Falls Intercommunity Hospital Authority
Gross Revenue Bonds, Series 1994
(Merle West Medical Center Project)**

**Dated as of September 1, 1977 as
Amended and Restated as of July 1, 1991 and as
further Amended and Restated as of September 1, 1994**

DAVIS WRIGHT TREMAINE

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SECOND AMENDED AND RESTATED TRUST INDENTURE

This SECOND AMENDED AND RESTATED TRUST INDENTURE, dated as of September 1, 1994, amending and restating the Amended and Restated Trust Indenture dated as of July 1, 1991, which amended and restated the Trust Indenture dated as of September 1, 1977 (collectively, the "Indenture"), by and between Klamath Falls Intercommunity Hospital Authority (herein called the "Authority"), a municipal corporation in and of the State of Oregon, duly organized and existing under and by virtue of the laws of the State of Oregon, and First Interstate Bank of Oregon, N.A. (formerly First National Bank of Oregon) as trustee (herein called the "Trustee"), a national banking association, and duly authorized to exercise corporate trust powers under the laws of the United States, with its principal place of business located in Portland, Oregon:

By virtue of the authority of the Constitution and laws of the State of Oregon, and particularly Oregon Revised Statutes 441.525 to 441.595 inclusive, and pursuant to the 1994 Bond Resolution referred to below, the Authority is authorized to enter into this Second Amended and Restated Indenture and to do so or cause to be done all the acts and things herein provided or required to be done.

On September 1, 1977, the Authority and the Trustee entered into a Trust Indenture (the "1977 Indenture") securing the issuance of the Refunding Gross Revenue Bonds, Series 1977 (Presbyterian Intercommunity Hospital Project) of the Authority (the "1977 Bonds"), in the aggregate principal amount of \$4,266,000 for the purpose of advance refunding the \$3,850,000 aggregate principal amount of Gross Revenue Bonds, Series 1975 which bonds were issued for the purpose of acquiring and improving the Hospital Facilities of Presbyterian Intercommunity Hospital, Inc. On September 1, 1977, the Authority, as Lessor, entered into a Lease (the "1977 Lease") of the Hospital Facilities with Presbyterian Intercommunity Hospital, Inc. Payments under the 1977 Lease were required to be in an amount not less than debt service on the 1977 Bonds. Subsequent to the issuance of the 1977 Bonds, Presbyterian Intercommunity Hospital, Inc. changed its name to Merle West Medical Center, an Oregon nonprofit corporation (the "Hospital").

As of July 1, 1991, the Authority and the Trustee entered into an Amended and Restated Trust Indenture (the "1991 Indenture"), amending and restating the 1977 Indenture and securing the issuance of the Gross Revenue Bonds, Series 1991 (Merle West Medical Center Project) (the "1991 Bonds") in the aggregate principal amount of \$8,500,000, on a parity with the 1977 Bonds, for the purpose of providing certain expansions, improvements and additions to the Hospital Facilities. On July 1, 1991, the Authority, as Lessor, entered into an Amended and Restated Lease (the "1991 Lease") of the Hospital Facilities with the Hospital. Payments under the 1991 Lease were required to be made in an amount not less than debt service on the 1977 and the 1991 Bonds.

As of July 1, 1991, the Authority and the Hospital entered into a Loan Agreement (the "Loan Agreement") which provides that the Loan Agreement may be substituted for the 1991 Lease upon the discharge or defeasance of the 1977 Bonds and if so substituted, the Loan Agreement will thereafter be the principal source of payment for the 1991 Bonds. Until the time of such substitution, if any, the Loan Agreement is held in escrow by the Trustee.

The Authority has found that there is a continuing public need to provide adequate medical care and hospital facilities, including adult congregate living facilities which provide to the residents thereof a spectrum of assisted care, in the City of Klamath Falls, Oregon, at a reasonable cost to the public, and to accomplish the statutory purpose of the Authority of providing hospital facilities for the people of Oregon, and that there is a need for certain expansions, improvements and additions to the Hospital Facilities by the issuance by the Authority of its Gross Revenue Bonds, Series 1994 (Merle West Medical Center Project) (the "1994 Bonds") on a parity with the 1977 and 1991 Bonds.

The Authority also has found it necessary and desirable to amend and restate the 1991 Lease in connection with the issuance of the 1994 Bonds. Payments on the Second Amended and Restated Lease, amending and restating the 1991 Lease between the Authority and the Hospital, dated as of even date herewith (collectively, the "Lease") are required to be in an amount sufficient to pay, in the aggregate, debt service on the 1977 Bonds, the 1991 Bonds and the 1994 Bonds.

The Authority hereby finds that such amendment and restatement will become effective upon execution of this Indenture by the Authority and the Trustee and the Lease by the Authority and the Hospital, without requiring Bondholder consent, in accordance with Sections 16.1 and 16.3 hereof, and Sections 16.1 and 16.3 of the 1991 Indenture and Sections 16.01 and 16.03 of the 1977 Indenture.

The Authority has also found it necessary and desirable to restate and amend the Loan Agreement in connection with the 1994 Bonds. As is provided in this Indenture and the Lease, upon the payment, redemption or other discharge of the 1977 Bonds, the Hospital shall have the option of terminating the Lease and substituting in its place the Amended and Restated Loan Agreement (dated as of even date herewith) pursuant to Section 10.4 of the Lease.

NOW, THEREFORE, IT IS AGREED, that to secure the payment of the principal of, redemption or premium, if any, and interest on the 1977 Bonds, the 1991 Bonds, the 1994 Bonds and any other Bonds which may be issued from time to time hereunder and to secure the performance and observance of all the covenants and conditions thereof and herein contained, and to declare the terms and conditions upon and subject to which the 1977 Bonds and the 1991 Bonds were issued, and the 1994 Bonds and any Additional Bonds are intended to be issued, held, secured and enforced; the Authority in consideration of the premises and the acceptance by the Trustee of the trusts

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hereby created and of the purchase and acceptance of the 1977 Bonds, the 1991 Bonds and the 1994 Bonds by the holders and owners thereof, has executed and delivered this Indenture and does hereby grant a security interest in, mortgage, pledge, sell, assign, transfer and set over to the Trustee all rights of the Authority as issuer of the Bonds:

- (1) In and to the Hospital Facilities and the real property on which the Hospital Facilities are located, as described in Exhibit A to this Indenture, subject to the right of the Hospital to terminate the Lease and substitute in its place the Loan Agreement pursuant to Section 10.4 of the Lease and Section 12.5 hereof;
- (2) Under and pursuant to the Lease, including the payment of the Rental Amount thereunder, and all amendments and modifications of and supplements to the Lease;
- (3) In and to the Gross Revenues pursuant to the Lease, the Loan Agreement, the Bond Resolution and this Indenture;
- (4) In and to the Special Funds (other than the Rebate Fund), including all moneys and Investments therein; and
- (5) In and to the Loan Agreement, if any, including the payment of the Loan Payments, if any, thereunder, and all amendments and modifications of and supplements to the Loan Agreement.

TO HAVE AND TO HOLD ALL the rights and privileges hereby mortgaged, pledged, sold and assigned to the trustee and its successors in trust and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit, security and protection of all present and future holders and owners of the Bonds and appurtenant coupons, if any, issued or to be issued under and secured by this Indenture, and for the enforcement of the payment of the principal of, redemption premium, if any, and interest on the Bonds when payable, and to secure the performance of and compliance with the covenants, terms and conditions of this Indenture, without preference, priority or distinction, as to lien or otherwise, of any one Bond or coupon, if any, over any other by reason of priority in the issue or negotiation thereof or otherwise, so that each and all Bonds and coupons, if any, shall have the same right, lien and privilege under this Indenture, and shall be equally and ratably secured hereby, as if all the Bonds and coupons, if any, had been made, issued and negotiated simultaneously with the delivery of this Indenture, it being intended that the lien and security of this Indenture shall take effect from the date hereof, without regard to the date of actual issue, sale or disposition of the

Bonds as though upon such date all the Bonds were actually issued, sold and delivered to purchasers for value;

Provided, however, that if the Authority shall pay, or cause to be paid, the principal of, redemption premium, if any, and interest on all Bonds then Outstanding, as provided herein, and shall perform and observe all the covenants and conditions of this Indenture, and shall pay or cause to be paid to the Trustee and the Paying Agents all sums of money due or to become due to them, then this Indenture and the rights hereby granted shall cease, and be void; otherwise, this Indenture is to be and remain in full force and effect.

And it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all Gross Revenues hereby pledged are to be dealt with and disposed of under the terms provided in this Indenture, and the Authority has agreed and covenanted and does hereby further agree and covenant, with the Trustee and with the respective holders and owners from time to time, of the Bonds or coupons, if any, or any part thereof as follows:

ARTICLE I

Definitions

Section 1.1 Definitions. Any capitalized terms used herein but not defined herein shall have the meaning attached to them in the Lease, and in addition, as used in this Indenture:

"Act" means Sections 441.525 to 441.595, inclusive, of the Oregon Revised Statutes, as amended from time to time.

"Additional Bonds" means Bonds authorized and issued subsequent to the authorization and issuance of the 1994 Bonds which may be issued in the form of bonds, notes, debentures or other evidences of indebtedness by the Authority thereunder.

"Additional Project" means any additions, extensions, alterations or improvements to the Hospital Facilities that are financed with the proceeds of a series of Additional Bonds.

"Agreement" or "Loan Agreement" means the Amended and Restated Loan Agreement dated as of September 1, 1994, between the Authority and the Hospital, as it amends or restates that certain Loan Agreement dated as of July 1, 1991, and any amendments or supplements thereto.

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"Annual Net Income" means the gross revenues during the period of determination after the deduction therefrom of the expenses for administration, operation, maintenance and repair of the Hospital for such period, but before the deduction therefrom of interest on any Bonds then Outstanding, depreciation charges, rental obligations required to be paid during such period or payable under any supplemental lease or leases entered into, or payments required to be made during such period into any Special Fund created under this Indenture. All computations made for the purposes of determining Annual Net Income of a Project shall be made in accordance with generally accepted principles of accounting. In computing Annual Net Income, any extraordinary loss due to refinancing prior debts shall be excluded.

"Approval of Bond Counsel" means an opinion of Bond Counsel to the effect that the matter proposed will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds provided, that if such approval of Bond Counsel is obtained from a Bond Counsel other than the initial Bond Counsel, then such initial Bond Counsel shall not be deemed responsible for the results of such Approval of Bond Counsel.

"Authorized Officer" means: (i) in the case of the Authority, the Chairman, Vice-Chairman, Secretary, Treasurer or a Director, and when used with reference to any act or document also means any other person authorized by resolution of the Authority to perform such act or execute such document; (ii) in the case of the Hospital, means the person or persons authorized by resolution of the Hospital to perform any act or execute any document; and (iii) in the case of the Trustee, any person authorized to perform any act or sign any document by or pursuant to the bylaws or any resolution of the governing body of the Trustee.

"Bond Counsel" means Davis Wright Tremaine, or any successor firm thereto, or any nationally recognized counsel experienced in matters of municipal law, satisfactory to the Authority, the Hospital and the Trustee.

"Bond Documents" means the Indenture, the Lease, the Loan Agreement and the Guaranty, in each case as they may be amended to date.

"Bondholder," "Owner" or "Holder" (when used with respect to Bonds) means the holder of any coupon 1977 Bonds and the person in whose name any Bond is registered pursuant to Article II hereof or their authorized attorney-in-fact.

"Bond Interest Fund" means the Bond Interest Fund created under Section 6.1 hereof.

"Bond Issuance Costs Fund" means the Bond Issuance Costs Fund created under Section 6.1 hereof.

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"Bond Principal Fund" means the Bond Principal Fund created under Section 6.1 hereof.

"Bond Registrar" means the Trustee.

"Bond Resolution" means the resolution, including all amendments and supplements thereto, as adopted by the Authority on the 21st day of September, 1994, confirming the prior issuance of the 1977 Bonds and the 1991 Bonds, authorizing the issuance, sale and delivery of the 1994 Bonds and the execution and delivery of the Indenture, Lease and Loan Agreement.

"Bond Year" means, with respect to the 1991 Bonds, the 1994 Bonds and any series of Additional Bonds, the period commencing after the close of business on the date in each year that corresponds with the scheduled final maturity date for such series of Bonds and terminating at the close of business on the same date of the following year, except that the first Bond Year for each series of Bonds shall be a period of less than one year that commences on the date of delivery of such series of Bonds.

"Bonds" means the 1977 Bonds, the 1991 Bonds, the 1994 Bonds and any Additional Bonds issued pursuant to the terms hereof.

"Business Day" shall mean any day, other than a day (a) on which banks located in the City of New York, New York, or any of the cities in which the principal office of the Trustee are located are required or authorized by law or executive order to close, or (b) on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations and rulings issued thereunder, except to the extent to which the Internal Revenue Code of 1954, as amended, and the regulations and rulings issued thereunder, are applicable to the Bonds.

"Completion Date" means the date of completion of the acquisition, construction and installation of any Project or as soon thereafter as practicable, delays incident to strikes, riots, acts of God or the public enemy beyond the reasonable control of the Authority only excepted, and which date shall be certified as provided in the Lease and the Loan Agreement and which as to the 1994 Project shall be no later than September 1, 1997.

"Construction Fund" means the fund created pursuant to Section 6.1 hereof to pay the costs of certain capital projects of the Hospital.

"Construction Proceeds" means proceeds of the 1994 Bonds deposited in the 1994 Construction Account that qualify for the two-year period for certain construction bonds provided by Section 148(f)(4)(C)(iv) of the Code.

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"Cost of Capital Projects" means the sum total of all reasonable or necessary capitalizable costs, including capitalized interest, incidental to any Project. The Cost of Capital Projects shall not include any costs incurred in connection with the issuance of any series of Bonds or the borrowing it represents unless an Approval of Bond Counsel is provided to the Trustee by the Hospital in connection therewith.

"Counsel" means an attorney at law or law firm (who may be counsel for the Authority or Hospital) who is not unsatisfactory to the Trustee.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund created under Section 6.1 hereof.

"Debt Service Reserve Requirement" means, for the 1991 and 1994 Bonds, an amount equal to the lesser of the maximum annual debt service on the bonds (including mandatory sinking fund payments), 125% of average annual debt service on the Bonds, or ten percent of the proceeds of the Bonds within the meaning of Section 148(d)(1) of the Code and, for the 1977 Bonds, the amount required by Section 6.5(B) hereof.

"Direct Payment Limit," for so long as the 1977 Bonds are outstanding, means the sum of \$500,000.

"DTC" means the Depository Trust Company, New York, New York.

"Event of Default" has the meaning set forth in Section 14.01 hereof.

"Executive" and "Fiscal Officer" mean, respectively, the Administrator or Chief Financial Officer of the Hospital, at any time, and any other person who may be authorized from time to time by the Hospital to act in such capacity.

"Final Computation Date" means the date on which all amounts due with respect to the 1991 Bonds, the 1994 Bonds or any Additional Bonds are actually and unconditionally due, if cash is available at the place of payment and no interest accrues with respect to any such Bonds after such date.

"Financial Consultant" means any financial advisory consultant as may be approved by the Authority and the Trustee.

"Fitch" means Fitch Investor Service or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized rating service as may be designated in writing by the Authority.

"Funds and Accounts" means the Funds and Accounts so designated which are established pursuant to Article VI hereof.

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"Government Obligations" means (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United State of America, (b) tax-exempt obligations of any state or any instrumentality, agency or political subdivision thereof which are fully secured by, or payments which as to principal and interest shall be made from, obligations described in (a) above, or (c) Certificates of Accrual on United States Treasury Securities or United State Treasury Income Growth Receipts or other fully secured similar escrow certificates on obligations described in (a) including, without limitation, zero coupon or similar accrual certificates.

"GRO Fund" means the Gross Revenues Fund as created under Section 6.1 hereof.

"Gross Revenues" shall mean all present and future accounts, receivables, contracts and contract rights including but not limited to all contracts with governmental agencies with respect to Medicaid, Medicare, public assistance and other similar programs, general intangibles, documents, instruments, and all proceeds from any of the former, derived by the Hospital from any source, including particularly the Hospital Facilities and related services, whether or not part of the Project, and including any Gross Revenues from after-acquired Hospital Facilities expressly pledged as additional Gross Revenues as herein defined. Gross Revenues shall include investment income, and grants not specifically conditioned for express purposes, but shall exclude (1) grants, gifts, bequests, contributions and other donations, and (2) the proceeds of any borrowing.

"Guaranty Agreement" means, collectively, the Second Amended and Restated Guaranty Agreement by the Hospital and Klamath Care in favor of the Trustee dated as of September 1, 1994, as it amends and restates the Amended and Restated Guaranty Agreement dated as of July 1, 1991.

"Hospital" means Merle West Medical Center, or any other person operating the Hospital Facilities pursuant to this Indenture.

"Hospital Facilities" means the real property described in Exhibit A hereto and improvements and additions to such real property together with certain equipment located on such property and financed with the proceeds of the 1977 Bonds, the 1991 Bonds and the 1994 Bonds.

"Indenture" means this Second Amended and Restated Trust Indenture between the Authority and the Trustee, dated as of September 1, 1994, as it amends and restates that certain Amended and Restated Trust Indenture dated as of July 1, 1991, which amended and restated that certain Trust Indenture dated as of September 1, 1977.

"Installment Computation Date" means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

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"Interest Payment Date" means

- (a) for the 1977 Bonds, March 1 and September 1 in any year;
- (b) for the 1991 Bonds, June 1 and December 1 of each year;
- (c) for the 1994 Bonds, March 1 and September 1 of each year, and
- (d) for any series of Additional Bonds, those dates on which interest is due and payable on such Bonds.

"Interest Rate" or "Bond Rate" means, as the context requires, the interest rates established for the 1977 Bonds, the 1991 Bonds and the 1994 Bonds in Article II hereof.

"Interest Rate for Advances" means a rate which is one percent in excess of the Prime Interest Rate in effect from time to time and then charged by First Interstate Bank of Oregon, N.A., or the maximum lawful rate, whichever is lesser.

"Investment Securities" means and includes cash and any of the following securities:

- (a) Government Obligations;
- (b) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements, issued by any bank or trust company (including the Trustee) or savings and loan association (i) which is rated in any of the two highest rating categories by S&P, or the comparable rating category issued by Moody's or Fitch if Moody's or Fitch is maintaining a rating on the Bonds, or (ii) the deposits of which are insured by the Federal Deposit Insurance Corporation; provided that, to the extent not so insured, such certificates, deposits or other banking arrangements are fully secured as to principal by Government Obligations;
- (c) Repurchase agreements, having a term not to exceed thirty (30) days, with banks or trust companies organized under the laws of the United States of America, or broker-dealers that are primary dealers and registered under the Securities Exchange Act of 1934, or their affiliates ("broker-dealer"), any state thereof or the District of Columbia having combined capital, surplus and undivided profits of not less than \$100,000,000, including the Trustee. With respect to all repurchase agreements, time or similar banking arrangements which are not fully insured by FDIC, but are secured by Government Obligations, then (1) the Trustee or a third party acting solely as agent for the Trustee must either (1) have possession of the underlying securities or (2) deposit, or arrange for deposit of, such securities with a

third party custodian, and obtain confirmation as to the securities which have been so deposited; (II) the Trustee must have title to the collateral; and (III) the collateral must be free and clear of third-party liens;

- (d) Shares of beneficial interests in an investment fund or trust substantially all of whose assets consist of Government Obligations and which is rated in the highest rating category by S&P, Moody's or Fitch;
- (e) Any short-term fund whose assets consist of Government Obligations and which is rated in the highest rating category by S&P, Moody's or Fitch;
- (f) Commercial paper rated in the highest rating category by S&P, Moody's or Fitch; and
- (g) State Obligations.

"Klamath Care" means Klamath Care Services, Inc., an Oregon non-profit corporation, a "501(1)(3)" organization as that term is defined in the Code.

"Lease" means the Second Amended and Restated Lease dated as of September 1, 1994, as it amends and restates that certain Amended and Restated Lease dated as of July 1, 1991, between the Authority and the Hospital, which amended and restated that certain Lease dated as of September 1, 1977.

"Lease Term" means the term of the Lease as set forth in Section 4.2 thereof.

"Lessee" means the Hospital.

"Letter of Representations" means the letter of representations from the Trustee and the Authority to DTC relating to the 1994 Bonds, in the form required by DTC.

"Maturity Date" means the date of maturity of, or mandatory redemption of, any of the Bonds.

"Maximum Rate" means the lesser of (a) the maximum rate permitted by law or (b) the greater of fifteen percent (15%) per annum or such higher rate as may be established by a Supplemental Trust Indenture.

"Moody's" means Moody's Investors Service, Inc., or if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized rating service as may be designated in writing by the Authority.

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"Net Proceeds," when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award remaining after payment of all expenses (including without limitation attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"1977 Bonds" means the Authority's Refunding Gross Revenue Bonds, Series 1977 (Presbyterian Intercommunity Hospital Project), originally issued in the aggregate principal amount of \$4,266,000.

"1977 Bond Resolution" means the resolution adopted by the Authority authorizing the issuance, sale and delivery of the 1977 Bonds.

"1991 Bonds" means the Authority's Gross Revenue Bonds, Series 1991 (Merle West Medical Center Project), originally issued in the aggregate principal amount of \$8,500,000.

"1994 Bonds" means the Authority's Gross Revenue Bonds, Series 1994 (Merle West Medical Center Project), originally issued in the aggregate principal amount of \$13,000,000.

"1975 Construction Fund" means the construction fund described in Section 6.3 hereof.

"1994 Construction Account" means the account in the Construction Fund created for the purpose of accomplishing the 1994 Project.

"1994 Debt Service Reserve Account" means that account in the Debt Service Reserve Fund into which the amount of \$1,086,240 was deposited which amount meets the Debt Service Reserve Requirement.

"1977 Project" means the real property and improvements and additions to real property, together with certain equipment, financed with the proceeds of the 1977 Bonds.

"1991 Project" means the acquisition of certain equipment by the Hospital, certain improvements and remodeling to the Hospital and the constructing, improving and equipping of the Hospital, financed with the proceeds of the 1991 Bonds.

"1994 Project" means the construction and equipping of an adult congregate living facilities providing to the residents thereof a spectrum of assisted care, including, as an integral part of such facilities, miscellaneous inpatient and outpatient care and services, all as defined and referred to in the Act, as an addition and improvement to the existing Hospital. This definition of the 1994 Project may be amended from time to time upon the request of the Hospital and upon the written consent of the Authority and upon the

Approval of Bond Counsel without obtaining the consent of the Owners of Bonds, notwithstanding anything herein to the contrary.

"Notice Address" means the addresses shown in Section 18.4 hereof.

"Optional Redemption" means any redemption made pursuant to, and identified as such in, Section 3.1 hereof.

"Ordinary Services" and "Ordinary Expenses" mean those services normally rendered and those expenses normally incurred by a trustee under instruments similar to this Indenture.

"Outstanding" means all Bonds authenticated and delivered under this Indenture as of the time in question except:

- (a) All Bonds theretofore canceled or required to be canceled under Section 2.7 hereof;
- (b) Bonds for the payment or redemption of which provision has been made in accordance with Article XIII hereof; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision satisfactory to the Trustee shall have been made therefor;
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

"Paying Agents" means the banks or trust companies, including the Trustee, designated as the paying agencies or places of payment for each series of the Bonds pursuant to the bond resolution authorizing the issuance or sale thereof, and their successors designated pursuant to this Indenture.

"Permitted Encumbrances" means, as of any particular time (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) the Lease, the Loan Agreement and the Indenture, and all encumbrances expressly permitted therein, (iii) filings with respect to personal property under the Oregon Uniform Commercial Code in connection with the 1977 Bonds, the 1991 Bonds or the 1994 Bonds which were filed on or before the date of issuance and delivery of such Bonds to secure the Authority or the Trustee, (iv) utility, access and other easements and rights-of-way, mineral rights, restrictions, and other minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the 1994 Project and which do not materially interfere with or impair the use or operation of the 1977 Project or the 1991 Project.

"Permitted Government Obligations" means only those obligations described in clause (a) of the definition of Government Obligations in this Indenture.

The term "Prime Interest Rate" means the rate of interest publicly announced by First Interstate Bank of Oregon, N.A. as its "Prime Rate of Interest." It is a base rate used to price some loans and is not necessarily the lowest rate of interest at which First Interstate Bank of Oregon, N.A. makes any loan. Each change in such prime rate of interest shall be determined and take effect as of the date of such change.

"Prior Bonds" means the \$3,850,000 Hospital Improvement Gross Revenue Bonds, Series 1975.

"Project" means any real property, improvements, additions, renovations, equipment or similar property to be installed, constructed or acquired with the proceeds of any series of Bonds.

"Qualified Financial Institution" means a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or a surety or insurance company which is satisfactory to the Authority whose unsecured obligations or uncollateralized short-term debt obligations have been assigned a rating in any of the two highest rating categories by S&P or the comparable rating category issued by Moody's, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated, or any other institution (which may include a government securities dealer).

"Rating Agency" means Moody's, Fitch, S&P or any other nationally recognized rating agency that has rated any Series of Bonds issued hereunder.

"Rebate Analyst" means a firm of certified public accountants, Bond Counsel or other specialists in the calculation of arbitrage rebate.

"Rebate Fund" means the special trust fund created by Section 7.4 hereof.

"Rebateable Amount" means the amount, as of each Installment Computation Date and as of the Final Computation Date, required to be paid to the United States pursuant to Section 148(f) of the Code within 60 days after either such Date.

"Record Date" means the date which is the 15th day of the month preceding any Interest Payment Date.

"Rental Amount" or "Rental Amounts" means the amount of money under the Lease or, upon termination of the Lease and execution of the Loan Agreement, the "Loan

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Payments" (as that term is defined in the Loan Agreement) required at any point in time to make all then required deposits into the Special Funds and all then required payments on account of the principal of, premium, if any, and interest on any Outstanding Bonds, as more particularly set forth herein.

"Rental Payment Date" means any date on which a deposit is to be made into the Special Funds, as more particularly set forth in Section 6.5 hereof.

"Required Liability Insurance Coverage" means the minimum amount of \$5,000,000 for bodily injury or death for each occurrence in connection with the Hospital Facilities, other than malpractice insurance as provided herein. Such minimum amount shall be increased or decreased as the Hospital's independent insurance consultant may determine.

"Required Malpractice Insurance Coverage" means the minimum amount for bodily injury or death for each occurrence in connection with the Hospital Facilities, or maintenance of a plan of reinsurance, acceptable to an independent insurance consultant selected by the Hospital and Trustee. Nothing in this definition shall prohibit the purchase of insurance from a company or companies located outside the continental United States.

"Required Motor Vehicle Coverage" means a single limit policy in an amount not less than \$500,000 per occurrence.

"Required Property Insurance Coverage" means the face amount of policy or policies aggregating a value of not less than \$10,250,000.

"Required Use and Occupancy Insurance Coverage" means insurance covering loss of revenues by reason of total or partial suspension of, or interruption in, the operation of the Hospital Facilities caused by damage or destruction, in the minimum amount equal to the maximum annual debt service on the 1977 Bonds with one year's maximum annual debt service policy deductible.

"Special Funds" means those funds and accounts created pursuant to Section 6.1 of this Indenture to secure the principal of, redemption premium, if any, and interest on the Bonds.

"S&P" means Standard and Poor's Corporation or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized rating service as may be designated in writing by the Authority.

"State" means the State of Oregon.

"State Obligations" means obligations of any state or territory of the United States of America or any political subdivision thereof which are exempt from Federal income

taxation and are rated not lower than the second highest rating category of both Moody's and S&P.

"Supplemental Trust Indenture" means any indenture amending or supplementing this Indenture which may be entered into in accordance with the provisions of this Indenture.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement, dated as of September 1, 1994, among the Authority, the Trustee and the Hospital.

"Term Bonds" means the Bonds of any principal maturity aggregating more than two times the average of the preceding three principal maturities.

"Trustee" means First Interstate Bank of Oregon, N.A. (formerly First National Bank of Oregon), or any successor appointed hereunder.

"Underwriter" means the initial purchaser of any series of Bonds issued hereunder who will offer such Bonds for sale to the public contemporaneously with the issuance thereof, and means with respect to the 1994 Bonds, PaineWebber Incorporated.

The words "hereof," "herein," "hereto," "hereby," and "hereunder" (except in the form of Bond), refer to this entire Indenture.

ARTICLE II

Form, Execution, Authentication, Registration And Exchange of Bonds

Section 2.1. Form of Bonds.

(a) The coupon 1977 Bonds, coupons and Trustee's certificate shall be substantially in the form set forth in Exhibit B which is attached hereto and by this reference incorporated herein.

(b) The registered 1977 Bonds and Trustee's Certificate shall be substantially in the form set forth in Exhibit C which is attached hereto and by this reference incorporated herein.

(c) The 1991 Bonds and Trustee's Certificate shall be substantially in the form set forth in Exhibit D which is attached hereto and by this reference incorporated herein.

(d) The 1994 Bonds and Trustee's Certificate shall be substantially in the form set forth in Exhibit E which is attached hereto and by this reference incorporated herein.

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(e) The form of any series of Additional Bonds shall be substantially as set forth in any Supplemental Trust Indenture authorizing such series.

Section 2.2. Terms of 1977 Bonds. (a) The 1977 Bonds shall be issued in an aggregate principal amount of \$4,266,000 and shall bear interest at the rates and mature in the amounts set forth in the 1977 Bond Resolution.

Interest on all 1977 Bonds shall be payable semi-annually on September 1 and March 1.

(b) The 1977 Bonds shall be issued as coupon bonds, registrable as to principal only, in the denomination of \$5,000 each, exchangeable for fully registered bonds in the denomination of \$5,000 or any multiple of \$5,000, or as any combination of coupon and fully registered bonds. The Trustee shall number the 1977 Bonds and shall provide for the exchange of one form to the other.

(c) All 1977 Bonds in coupon form and each 1977 Bond, if any, originally issued in fully registered form shall be dated as of and bear interest from August 1, 1977. Each other fully registered 1977 Bond shall be dated as of the date of its authentication and bear interest from the last preceding Interest Payment Date with respect to the 1977 Bonds; provided, however, that 1977 Bonds authenticated on an Interest Payment Date with respect to the 1977 Bonds shall bear interest from that date; and, provided further that if payment of interest on the 1977 Bonds is in default at the time of authentication of any 1977 Bond, it shall bear interest from the last date on which interest was paid.

(d) All 1977 Bonds and coupons thereof shall be signed by the Chairman and Secretary of the Authority, by manual or facsimile signature. In case any individual shall cease to be such officer after his or her manual or facsimile signature is made upon such Bonds or coupons, such signature shall nevertheless be valid for all purposes.

(e) All 1977 Bonds shall be payable as to principal, any premium and interest in lawful money of the United States, shall be negotiable instruments, and shall express on their faces the purposes for which they are issued.

(f) Principal of, premium, if any, and interest on, 1977 Bonds in coupon form shall be payable at the corporate trust office of the Trustee, or at such other paying agents as may be designated by the Trustee from time to time, in all cases without deduction for the paying agent's services. The principal of coupon 1977 Bonds registered as to principal (except to bearer) and of fully registered 1977 Bonds shall be payable at the corporate trust office of the Trustee. Interest on fully registered 1977 Bonds shall be payable by check or draft as provided in the Indenture.

Section 2.3. Terms of 1991 Bonds. (a) The 1991 Bonds shall be dated July 1, 1991 and shall mature on June 1 on the following dates and amounts and shall bear interest at the following rates per annum:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1992	\$100,000	5.25%
1993	105,000	5.50
1994	115,000	5.75
1995	125,000	6.00
1996	530,000	6.10
1997	560,000	6.25
1998	595,000	6.40
1999	635,000	7.00
2000	670,000	7.00
2001	715,000	7.00
2002	760,000	7.25
2003	810,000	7.25
2004	865,000	7.25
2005	925,000	7.25
2006	990,000	7.25

(b) The principal of, premium, if any, and interest on the 1991 Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of Trustee, in Portland, Oregon. Payment of the interest on any 1991 Bond shall be made to the person whose name appears on the Bond Register maintained by the Trustee as the Registered Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed to the Registered Owner at his or her address as it appears on such Bond Register, except that if so instructed by a Registered Owner of not less than \$1,000,000 in aggregate principal amount of 1991 Bonds in writing not less than 15 days prior to such Record Date, such payments shall be made by wire transfer on the applicable Interest Payment Date to the Registered Owner thereof as of the close of business on the applicable Record Date. The 1991 Bonds are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof.

(c) Interest on the 1991 Bonds shall accrue from July 1, 1991, and shall be payable semiannually thereafter on June 1 and December 1 of each year until paid beginning December 1, 1991.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any 1991 Bond is registered as the Bondholder thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility

for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the 1991 Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party, except for the Holder of any 1991 Bond.

Section 2.4. Terms of 1994 Bonds (a) The 1994 Bonds shall be dated September 1, 1994 and shall mature on September 1 on the following dates and amounts and shall bear interest at the following rates per annum:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
1997	\$ 170,000	5.00%
1998	180,000	5.10
1999	190,000	5.30
2000	200,000	5.50
2001	210,000	5.70
2002	220,000	5.80
2003	235,000	5.90
2004	255,000	6.00
2008	1,200,000	8.00
2014	2,600,000	7.10
2024	7,540,000	7.10

(b) The principal, premium, if any, and interest on the 1994 Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of Trustee, in Portland, Oregon. Payment of the interest on any 1994 Bond shall be made to the person whose name appears on the Bond Register maintained by the Trustee as the Registered Owner thereof as of the close of business on the Record Date, such interest to be paid by check mailed to the Registered Owner at his or her address as it appears on such Bond Register, except that if so instructed by a Registered Owner of not less than \$1,000,000 in aggregate principal amount of 1994 Bonds in writing not less than 15 days prior to such Record Date, such payments shall be made by wire transfer on the applicable Interest Payment Date to the Registered Owner thereof as of the close of business on the applicable Record Date. Notwithstanding the foregoing, for so long as all outstanding 1994 Bonds are registered in the name of Cede & Co. or its registered assigns, as nominee of DTC, payments of interest on the 1994 Bonds shall be made at the place and in the manner provided in the Letter of Representations. The 1994 Bonds are issuable in fully registered form in denominations of \$5,000 or any integral multiple thereof.

(c) Interest on the 1994 Bonds shall accrue from September 1, 1994, and shall be payable semi-annually thereafter on March 1 and September 1 of each year until paid beginning March 1, 1995.

(d) The Authority and the Trustee shall be entitled to treat the person in whose name any 1994 Bond is registered as the bond holder thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the 1994 Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party, except for the Holder of any 1994 Bond.

(e) On the date of initial delivery, one separate authenticated Bond for each stated maturity date of the 1994 Bonds shall be executed, authenticated and delivered. On the date of initial delivery thereof, the 1994 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The 1994 Bonds so registered shall be held in fully immobilized form by DTC as depository pursuant to a Letter of Representations. To induce DTC to accept the 1994 Bonds as eligible for deposit at DTC, the Authority and the Trustee hereby approve the standard form of the Letter of Representations required by DTC. The Authority and the Trustee are authorized and directed, if required by DTC, to execute and deliver the Letter of Representations to DTC, on or before the date of initial delivery of the 1994 Bonds, and their execution and delivery of the Letter of Representations shall evidence irrevocably the approval of the Letter of Representations. Neither the Authority nor the Trustee will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the 1994 Bonds in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest or premium, if any, on the 1994 Bonds, any notice which is permitted or required to be given to Bondholders under this Indenture (except such notices as shall be required to be given by the Trustee to DTC), or any consent given or other action taken by DTC as the Registered Owner for so long as the 1994 Bonds are registered in the name of Cede & Co. or its registered assigns, as nominee of DTC, DTC or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean DTC or its nominee and shall not mean the owners of any beneficial interests in the 1994 Bonds.

(f) Upon registration of the 1994 Bonds in the name of Cede & Co., as nominee of DTC, ownership of all or any portions thereof may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under applicable laws to provide the services proposed to be provided by it; (ii) to any substitute depository appointed by the Authority pursuant to subsection (g) below or such substitute depository's successor; or (iii) to any other person as provided in subsection (i) below.

(g) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or a determination by the District that

it is no longer in the best interests of beneficial owners of the 1994 Bonds to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Authority may appoint a substitute depository. Any such substitute depository shall be qualified under applicable laws to provide the services proposed to be provided by it.

(h) In the case of any transfer pursuant to clause (i) or (ii) of subsection (f) above, the Trustee, upon receipt of all Outstanding 1994 Bonds, together with a written request on behalf of the Authority, shall execute and deliver a single new 1994 Bond for each maturity of 1994 Bonds then Outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be.

(i) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Authority determines that it no longer is in the best interests of beneficial owners of the 1994 Bonds to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the ownership of the 1994 bonds may be transferred to any person as herein provided. Upon receipt by the Trustee of all 1994 Bonds then Outstanding, new 1994 Bonds shall be executed and delivered in such authorized denominations and registered in the names of such persons as are requested in such a written request.

Section 2.5. Execution of Bonds - Authentication. (a) The Bonds shall be executed in the name of the Authority with the manual or facsimile signature of the Chairman of its Board of Directors and attested by the manual or facsimile signature of the Secretary of its Board of Directors. In case any officer of the Authority who shall have signed any Bond shall cease to be such officer before the Bonds so signed shall have actually been authenticated by the Trustee or delivered and issued, such Bond shall be authenticated, delivered and issued with the same effect as though the person who has signed and sealed such Bond had not ceased to be an officer of the Authority.

(b) Neither any Bond nor any coupon thereto annexed shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Indenture unless and until an authentication certificate, substantially in the form above set forth in Exhibit B, C, D and E hereto, shall have been duly endorsed upon such Bond, and such authentication by the Trustee upon any Bond shall be, to the extent permitted by law, conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and that the holder is entitled to the security of this Indenture. Such certificate of the Trustee may be executed by any person duly authorized by the Trustee, but it shall not be necessary that the same person sign the authentication certificate on all of the Bonds.

(c) The Trustee shall not authenticate or deliver any coupon Bonds unless all coupons annexed thereto and then matured shall have been detached and canceled, except as may be permitted under Section 2.7 and 2.8 hereof.

Section 2.6. (a) Transfer, Exchange, Payment and Registration of Bonds. Unless otherwise provided herein, in the bond resolution authorizing a particular series of Bonds or Supplemental Trust Indenture executed in connection therewith, the Bonds are issuable as Bonds registrable as to principal and interest as therein provided, and also as fully registered Bonds in the same denominations as that in which the coupon Bonds, if any, of the same series have been authorized and any multiple thereof requested by the Bondholder. Each fully registered Bond shall be of a single maturity of the same series; provided, however, that the Fiscal Officer with approval of the Trustee may authorize issuance of one or more fully registered Bonds representing more than one maturity of the same series with appropriate changes in the Bond form to cover more than one maturity.

(b) Except as otherwise provided herein, in the bond resolution authorizing a particular series of Bonds or Supplemental Trust Indenture executed in connection therewith, each fully registered Bond shall bear interest from the Interest Payment Date next preceding the date of its authentication, unless authenticated upon an Interest Payment Date with respect to such Bond, in which case it shall bear interest from the date of its authentication; provided, however, that if at the time of authentication of any fully registered Bond, payment of interest is in default, such Bond shall bear interest from the last date to which interest has been paid.

(c) Unless otherwise provided herein, in the bond resolution authorizing a particular series of Bonds or Supplemental Trust Indenture executed in connection therewith, the principal of all fully registered Bonds and coupon Bonds registered as to principal shall be payable at the principal corporate trust office of the Trustee, and payment of the interest on fully registered Bonds shall be made on each Interest Payment Date with respect to such Bond to the person appearing on the registration books hereinafter provided for as the registered holder thereof, by check or draft mailed by the Trustee to such registered holder at his address as it appears on such registration books.

(d) Coupon Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, with all unmatured coupons and all matured coupons in default, if any, appertaining thereto may, at the option of the holder or registered holder thereof, be exchanged for an equal aggregate principal amount of fully registered Bonds of the same series and of any denomination or denominations authorized by the Bond Resolution.

(e) Fully registered Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar, together with an assignment duly executed by the registered holder or his duly authorized attorney in such form as shall be satisfactory to the Bond Registrar, may, at the option of the registered holder thereof, be exchanged for coupon Bonds of the same series (provided Bonds of such series are initially issuable as coupon Bonds) in the aggregate principal amount not exceeding the unmatured and unredeemed principal amount of such fully registered Bonds, bearing interest at the same rate and

maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon, or for fully registered Bonds of the same series of any denomination or denominations authorized by the applicable Bond Resolution in the aggregate principal amount not exceeding the unmatured and unredeemed principal amount of such fully registered Bonds, and bearing interest at the same rate and maturing on the same date or dates, or by combination of the foregoing.

(f) Title to any coupon Bond, unless such Bond is registered as to principal, and to any interest coupon, shall pass by delivery. At the option of the bearer, any coupon Bond may be registered as to principal on registration books kept for that purpose at the principal corporate trust office of the Bond Registrar, upon presentation thereof to the Bond Registrar which shall make notation of such registration thereon. Any such Bond registered as to principal may thereafter be transferred only upon an assignment duly executed by the registered holder or his duly authorized attorney in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the Bond by the Bond Registrar. Such transfer may be to bearer and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before.

(g) Any fully registered Bond may be transferred only upon the books kept for the registration and transfer of Bonds, upon surrender thereof at the principal corporate trust office of the Bond Registrar together with an assignment duly executed by the registered holder or his duly authorized attorney in such form as shall be satisfactory to the Bond Registrar. Upon the transfer of any such fully registered Bond and on request of the Bond Registrar, the Authority shall execute in the name of the transferee, and the Trustee shall authenticate and deliver at the option of the transferee, a new fully registered Bond or Bonds of the same series, of any denomination or denominations permitted by this Indenture and the bond resolution or coupon Bonds of the same series with coupons attached representing all unpaid interest due or to become due thereon, or a combination of the foregoing, in aggregate principal amount equal to the unmatured and unredeemed principal amount of such registered Bond, and bearing interest at the same rate and maturing on the same date or dates.

(h) In all cases in which Bonds shall be exchanged or fully registered Bonds shall be transferred hereunder, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. Except as otherwise provided in the Bond Resolution, the Authority and Bond Registrar may make a charge for every such exchange or transfer of Bonds sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the Authority and Bond Registrar may charge a sum sufficient to reimburse them for all other costs and expenses incurred in connection with such exchange or transfer, and such charge or charges shall be paid before any such new Bond shall be delivered; provided, however, that if any fully registered Bond shall have been initially delivered to

the original purchaser of the same series of Bonds, there shall be no charge for the first exchange of such fully registered Bonds for coupon Bonds.

(i) As to any coupon Bond registered as to principal or fully registered Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond and the interest and premium, if any, on such fully registered Bond shall be made only to or upon the order of the registered holder thereof or his duly authorized attorney in such form as shall be satisfactory to the Bond Registrar and neither the Authority, Bond Registrar nor any Paying Agent shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the Bond, or sums so paid. The Authority, Bond Registrar and any Paying Agent may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal or which shall be registered as to principal to bearer, and the bearer of any coupon appertaining to any coupon Bond whether such coupon Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be, whether such Bond or coupon shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Authority, Bond Registrar nor any Paying Agent shall be affected by any notice to the contrary.

(j) In case any fully registered Bond is redeemed in part only, on or after the redemption date and upon surrender of such Bond to the Trustee, the Authority shall cause execution of and the Trustee shall authenticate and deliver a new Bond or Bonds in principal amount equal to the unredeemed portion of such Bond without charge to the owner thereof.

(k) So long as any of the Bonds remain outstanding, the Authority will cause to be maintained and kept, at the principal corporate trust office of the Trustee as Bond Registrar, books for the registration and transfer of Bonds.

Section 2.7. Mutilated, Lost, Stolen or Destroyed Bonds or Coupons. (a) In the event any Bond or coupon is mutilated, lost, stolen or destroyed, the Authority may execute and the Bond Registrar may authenticate, a new Bond or coupon, as the case may be, of like series, date, maturity and denomination as that mutilated, lost, stolen or destroyed, which new Bond shall have attached thereto coupons corresponding in all respects to those on the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond or coupon, such mutilated Bond or coupon together with, if a Bond, all coupons then appertaining thereto shall first be surrendered to the Bond Registrar for cancellation, and in the case of any lost, stolen or destroyed Bond or coupon, there shall be first furnished to the Authority, the Bond Registrar and the Hospital, evidence of such loss, theft or destruction satisfactory to the Authority, the Bond Registrar and the Hospital, together with

indemnity satisfactory to them. In the event any such lost, stolen or destroyed Bond or coupon shall have matured or is about to mature, instead of issuing a duplicate Bond or coupon the Authority, with the consent of the Hospital, may pay the same without surrender thereof. The Authority and the Bond Registrar may charge the holder of such Bond with their reasonable fees and expenses in this connection.

(b) Every substituted Bond issued pursuant to this Section 2.7 by reason of any Bond or coupon being lost, stolen or destroyed shall, with respect to such Bond or coupon, constitute an additional contractual obligation to be paid from the Gross Revenues, whether or not the lost, stolen or destroyed Bond or coupon shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds and coupons duly issued hereunder. All Bonds and coupons shall be held and owned on the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, lost, stolen or destroyed Bonds and coupons and, to the extent permitted by law, shall preclude any and all rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.8. Temporary Bonds. Pending preparation of definitive Bonds of any series, the Authority may issue, in lieu of definitive Bonds of such series, one or more temporary printed or typewritten Bonds in authorized denominations, of substantially the tenor recited in Section 2.1 hereof or in any Supplemental Trust Indenture authorizing a series of Additional Bonds. At the request of the Authority, the Trustee shall authenticate and deliver definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds of such series. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.9. Cancellation and Destruction of Bonds. In every case of the surrender of any Bond or any coupon for the purpose of transfer, exchange, payment or retirement, or for replacement pursuant to Section 2.8, the Trustee shall cancel the same and execute and deliver to the Authority and to the Hospital a certificate of cancellation and shall deliver to the Authority, as requested by it, either a certificate evidencing destruction of the Bond or coupon so canceled or the canceled Bond or coupon; provided, however, that in the case of transfer or exchange, the Trustee, with the consent of the Authority and of the Hospital, may hold in safekeeping as Trustee any Bonds or coupons transferred or exchanged so that they will be available for future transfers or exchanges.

Section 2.10. Acts of Bondholders; Evidence of Ownership. Any action to be taken by Bondholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by agents appointed in writing. The fact and date of the execution by any person or any such instrument may be proven by acknowledgment before a notary public or other officer empowered to take

acknowledgments or by an affidavit of a witness to such execution. Any action by the holder of any Bond shall bind all future holders of the same Bond in respect to any thing done or suffered by the Authority, or the Trustee in pursuance thereof.

Section 2.11. Delivery of the Bonds.

(a) 1977 Bonds. At the time of the execution and delivery of the 1977 Indenture, the Authority executed and delivered to the Trustee the 1977 Bonds and the Trustee authenticated the 1977 Bonds and delivered them to, or for the account of, the original purchaser as provided in the 1977 Indenture.

Prior to the delivery by the Trustee of any of the 1977 Bonds, there was filed with the Trustee:

- (1) A duly certified copy of the 1977 Bond Resolution.
- (2)
 - a. A duly certified copy of the action taken by the Authority authorizing the 1977 Bond Resolution and the execution and delivery of the 1977 Lease and the 1977 Indenture.
 - b. An original executed counterpart of the 1977 Lease.
 - c. An original executed counterpart of the 1977 Guaranty Agreement.
 - d. An original executed counterpart of the 1977 Indenture.
- (3) An ALTA standard form of title insurance policy in the amount of \$4,300,000, or an interim ALTA title binder in favor of the Trustee, evidencing that the Authority had at such time good and marketable title to the Hospital Facilities, free and clear of liens and encumbrances except for Permitted Encumbrances.
- (4) A request and authorization to the Trustee on behalf of the Authority and signed by its Chairman of the Board of Directors, Executive or Fiscal Officer to authenticate and deliver the 1977 Bonds to, or on the order of, the original purchaser upon payment to the Trustee, but for the account of the Authority, of the specified sum plus accrued interest, both of which were deposited as provided in the 1977 Bond Resolution.

(b) 1991 Bonds.

- (1) At the Closing of the 1991 Bonds, the Authority executed and delivered the 1991 Bonds to the Trustee and the Trustee authenticated the 1991 Bonds and delivered them to, or for the account of, the original purchaser.
- (2) Prior to the delivery by the Trustee of any of the 1991 Bonds, there was filed with the Trustee: The documents required to have been received by the Trustee prior to the issuance of "Additional Bonds" under Sections 8.2 and 8.4 of the 1991 Indenture and Section 8.01 of the 1977 Indenture.
- (3) A request and authorization to the Trustee on behalf of the Authority and signed by its Chairman of the Board of Directors, Executive or Fiscal Officer to authenticate and deliver the 1991 Bonds to, or on the order of, the original purchaser upon payment to the Trustee, but for the account of the Authority, of the specified sum plus accrued interest.

(c) 1994 Bonds.

- (1) Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the 1994 Bonds to the Trustee and the Trustee shall authenticate the 1994 Bonds and deliver them to, or for the account of, the original purchaser as provided in this Section 2.11(c).
- (2) Prior to the delivery by the Trustee of any of the 1994 Bonds, there shall have been received by the Trustee:
 - a. The documents required to have been received by the Trustee prior to the issuance of "Additional Bonds" under Section 8.2 and 8.4 of this Indenture and Sections 8.2 and 8.4 of the 1991 Indenture.
 - b. A request and authorization by the Trustee on behalf of the Authority and signed by its Chairman of the Board of Directors, Executive or Fiscal Officer to authenticate and deliver the 1994 Bonds to, or on the order of, the original purchaser upon payment to the Trustee, but for the account of the Authority, of the specified sum plus accrued interest, both of which shall be deposited as provided in Section 6.2(C) hereof.

ARTICLE III

Redemption of BondsSection 3.1. Privilege of Redemption and Redemption Price.(a) 1977 Bonds.

(1) Optional Redemption. Except as expressly provided in this paragraph, no 1977 Bond may be called for redemption prior to September 1, 1987. On September 1, 1987 and on any Interest Payment Date with respect to the 1977 Bonds, thereafter, the Authority may elect to redeem all or any portion of the 1977 Bonds then outstanding at any time, at the redemption prices (expressed as a percentage of the principal amount) set forth below, together with accrued interest:

<u>Redemption Period</u>	<u>Redemption Price</u>
<u>On or After</u>	
September 1, 1987 and March 1, 1988	102%
September 1, 1988 and March 1, 1989	101.5%
September 1, 1989 and March 1, 1990	101%
September 1, 1990 and March 1, 1991	100.5%
September 1, 1991 and semiannually thereafter	100%

(2) Extraordinary Redemption. All or any part of then Outstanding 1977 Bonds may be called for redemption by the Authority at any time upon payment of 100 percent of the principal amount plus accrued interest on the 1977 Bonds to be redeemed, in the following events:

(A) The Hospital Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within a period of twenty-three months from the commencement of the restoration, to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Hospital is thereby prevented from carrying on its normal operations for a period of twenty-three months, or (iii) to such extent that the cost of restoration thereof would exceed more than two-thirds of the then value of the Hospital Facilities.

(B) Title to, or the temporary use of, all or substantially all of the Hospital Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Hospital

being thereby prevented from carrying on its normal operations therein for a period of twenty-three months).

(C) As a result of any changes in the Constitution of the State of Oregon or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Authority in good faith, the Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Lease.

(b) 1991 Bonds.

(1) Optional Redemption. Except as expressly provided in this Article III, no 1991 Bond may be called for redemption prior to June 1, 2002. On or after June 1, 2002, upon the request of the Hospital, the Authority may redeem all or any portion of the 1991 Bonds then Outstanding, in whole at any time, or in part on any Interest Payment Date with respect to the 1991 Bonds, maturities to be selected by the Hospital and by lot within a maturity as determined by the Trustee, or if the Hospital shall fail to select, in inverse order of maturity, at the redemption price of 101 percent of the principal amount of the 1991 Bonds to be redeemed, together with accrued interest to the date fixed for redemption.

(2) Extraordinary Redemption. The 1991 Bonds may be called for redemption by the Authority in whole or in part at any time upon payment of 100 percent of the principal amount plus accrued interest on the 1991 Bonds to be redeemed, in the following events:

(A) The Hospital Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within a period of twenty-three months from the commencement of such restoration, to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Hospital is thereby prevented from carrying on its normal operations for a period of twenty-three months, or (iii) to such extent that the cost of restoration thereof would exceed more than two-thirds of the then value of the Hospital Facilities.

(B) Title to, or the temporary use of, all or substantially all of the Hospital Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Hospital being thereby prevented from carrying on its normal operations therein for a period of twenty-three months).

(C) As a result of any changes in the Constitution of the State of Oregon or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Authority in good faith, the Lease, or the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Lease, or the Loan Agreement.

(3) Mandatory Sinking Fund Redemption. The 1991 Bonds maturing June 1, 2002 shall be subject to mandatory redemption prior to maturity in part at a redemption price of 100% of the principal amount thereof (without premium) plus accrued interest to the date fixed for redemption, on June 1 of the years and in the amounts set forth below:

<u>Year (June 1)</u>	<u>Principal Amount</u>
1999	\$635,000
2000	670,000
2001	715,000
2002*	760,000

*Final Maturity

The 1991 Bonds maturing June 1, 2006 shall be subject to mandatory redemption prior to maturity in part at a redemption price of 100% of the principal amount thereof (without premium) plus accrued interest to the date fixed for redemption, on June 1 of the years and in the amounts set forth below:

<u>Year (June 1)</u>	<u>Principal Amount</u>
2003	\$810,000
2004	865,000
2005	925,000
2006*	990,000

*Final Maturity

(C) 1994 Bonds.

(1) Optional Redemption. Except as expressly provided in this Article III, no 1994 Bond may be called for redemption prior to September 1, 2004. On or after September 1, 2004, upon the request of the Hospital, the Authority may redeem all or any portion of the 1994 Bonds maturing on or after September 1, 2014, in whole at any time, or in part on any Interest Payment Date with respect to the 1994 Bonds, maturities to be selected by the Hospital and by lot within a maturity as determined by the Trustee, or if

the Hospital shall fail to select, in inverse order of maturity, at the following redemption prices (expressed as percentages of the principal amount of the 1994 Bonds called for redemption), together with accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
<u>On or After</u>	
September 1, 2004 through August 31, 2005	102%
September 1, 2005 through August 31, 2006	101%
September 1, 2006 and thereafter	100%

(2) Extraordinary Redemption. The 1994 Bonds may be called for redemption by the Authority in whole or in part at any time upon payment of 100 percent of the principal amount plus accrued interest on the 1994 Bonds to be redeemed, in the following events:

(A) The Hospital Facilities shall have been damaged or destroyed (i) to such extent that they cannot be reasonably restored within a period of twenty-three months from the commencement of such restoration, to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that the Hospital is thereby prevented from carrying on its normal operations for a period of twenty-three months, or (iii) to such extent that the cost of restoration thereof would exceed more than two-thirds of the then value of the Hospital Facilities.

(B) Title to, or the temporary use of, all or substantially all of the Hospital Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority (including such a taking or takings as results in the Hospital being thereby prevented from carrying on its normal operations therein for a period of twenty-three months).

(C) As a result of any changes in the Constitution of the State of Oregon or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after the contest thereof by the Authority in good faith, the Lease, or the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Lease, or the Loan Agreement.

(3) Mandatory Sinking Fund Redemption. The 1994 Bonds maturing September 1, 2008 shall be subject to mandatory redemption prior to maturity in part at a redemption price of 100% of the principal amount thereof (without premium) plus accrued interest to the date fixed for redemption, on September 1 of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2005	\$ 265,000
2006	290,000
2007	310,000
2008*	335,000

*Final Maturity

The 1994 Bonds maturing September 1, 2014 shall be subject to mandatory redemption prior to maturity in part at a redemption price of 100% of the principal amount thereof (without premium) plus accrued interest to the date fixed for redemption, on September 1 of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2009	\$ 365,000
2010	390,000
2011	415,000
2012	445,000
2013	475,000
2014*	510,000

*Final Maturity

The 1994 Bonds maturing September 1, 2024 shall be subject to mandatory redemption prior to maturity in part at a redemption price of 100% of the principal amount thereof (without premium) plus accrued interest to the date fixed for redemption, on September 1 of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>
2015	\$ 545,000
2016	580,000
2017	625,000
2018	665,000
2019	715,000
2020	765,000
2021	820,000

2022	880,000
2023	940,000
2024*	1,005,000

*Final Maturity

Section 3.2. Notice of Redemption.

(a) 1977 Bonds; 1991 Bonds; 1994 Bonds; Additional Bonds. Notice of the call for any redemption of the 1977 Bonds, identifying by designation, letters, number or other distinguishing marks, the 1977 Bonds (in amounts of \$5,000 or a multiple thereof), or portions of fully registered 1977 Bonds, to be redeemed, the redemption price to be paid, the date fixed for redemption and the places where the amounts due upon such redemption are payable, shall be given by at least two publications by the Trustee on behalf of the Authority in a newspaper of general circulation published in the City of Klamath Falls, Oregon, and in addition, at least twice in a newspaper or financial journal of national circulation published in the City and State of New York, the first such publication in each such newspaper to be not less than thirty days prior to the redemption date. In the case of the redemption of 1977 Bonds in coupon form registered as to principal (except to bearer) or in fully registered form, the Trustee shall additionally mail a copy of the redemption notice by registered or certified mail at least thirty days prior to the date fixed for redemption to the registered owner of each 1977 Bond to be redeemed at the address shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of the 1977 Bonds. In the case of the 1991 Bonds, the 1994 Bonds, and any Additional Bonds, and in the case where all of the 1977 Bonds to be redeemed are at that time in coupon form registered as to principal (except to bearer), or in fully registered form, notice by registered or certified mail to the holder or holders thereof not less than thirty days prior to the date fixed for redemption shall be sufficient, and published notice of the call for redemption need not be given. In addition to the newspaper publication and/or mailing of such notice, notice of redemption shall also be mailed to Moody's Investors Service, Inc. and Standard and Poor's Corporation in New York City, New York.

If because of the temporary or permanent suspension of the publication or general circulation of such newspapers or financial journals, or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Section 3.3. Authority's Election to Redeem. The Authority shall give written notice to the Trustee of its election to redeem, which notice shall be given at least forty-five (45) days prior to the redemption date or such shorter period as shall be acceptable

to the Trustee. In the event notice of redemption shall have been given, the Authority shall prior to the redemption date pay to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem all of the redeemable Bonds which the Authority has so elected to redeem.

Section 3.4. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 3.3, the Bonds so called for redemption shall become due and payable on the redemption date so designated at the redemption price, plus interest accrued to the redemption date, and, upon presentation and surrender thereof at the place or places specified in such notice, together with all appurtenant coupons, if any, maturing subsequent to the redemption date; such Bonds shall be paid at the redemption price plus interest accrued to the redemption date not represented by matured coupons, if any. All interest installments represented by coupons which shall have matured on or prior to the redemption date shall continue to be payable to the bearers of such coupons. If, on the redemption date, moneys for the redemption of all such Bonds to be redeemed, together with interest to the redemption date, shall be held by the Trustee or Paying Agent so as to be available therefor on said date and if notice of redemption shall have been published as aforesaid, then, from and after the redemption date such Bonds so called for redemption shall cease to bear interest and the coupons for interest appertaining thereto maturing subsequent to the redemption date shall be void and said Bonds and coupons shall no longer be considered as Outstanding hereunder. If said moneys shall not be available on the redemption date, such Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 3.5. Privilege of Purchase. The Authority reserves the right to purchase any or all of the Bonds on the open market at any time at a price not in excess of par value and accrued interest.

ARTICLE IV

Provisions as to Funds and Payments; Covenants of Authority

Section 4.1 Provision for Payment. The Authority hereby authorizes and directs the Trustee to cause withdrawal of sufficient funds from the Special Funds, to pay the principal of, redemption premium, if any, and interest on, the Bonds as the same become due and payable.

Section 4.2 Non-presentment of Bonds of Coupons. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof, or otherwise, or in the event any coupon shall not be presented for payment at the due date thereof, if funds sufficient to pay such Bond or coupon shall have been made available to the Trustee for the benefit of the holder or holders thereof, all liability of the Authority to the holder thereof for the payment of such Bond or coupon, as the case may be, shall thereupon cease and be completely discharged, and it shall be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the holder of such Bond or coupon, as the case may be, who

shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his or her part under this Indenture on or with respect to the Trustee and which remain unclaimed by the holder of any Bond or coupon not presented for payment for a period of four (4) years, or for a period of 10 years for any 1977 Bond or coupon, after the date on which such Bond or coupon shall have become payable, shall upon request in writing by the Authority be paid to the Authority and thereafter the holder of such Bond or coupon shall look only to the Authority for payment and then only to the amounts so received without any interest thereon, and the Trustee shall have no responsibility with respect to such moneys.

Section 4.3 Trustee's and Paying Agent's Fees, Charges and Expenses. The Lease and the Loan Agreement, or other instrument pursuant to which the Hospital Facilities are operated, shall require the Hospital to pay the Trustee, commencing with the date hereof, and continuing until the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of this indenture: (i) an amount equal to the fee of the Trustee, as Trustee, which will become payable on the first day of a calendar month specified by the Trustee and to which the Authority makes no reasonable objection within 30 days after notice of specification of such month, for the Ordinary Services of the Trustee rendered and its Ordinary Expenses incurred under this Indenture during the period ending on that date, (ii) any reasonable fees and charges of the Trustee as Bond Registrar and Paying Agent, and of other Paying Agents as and when the same become due and (iii) the reasonable fee and charges of the Trustee for necessary Extraordinary Services and Extraordinary Expenses under this Indenture, as and when the same become due; provided, that either the Authority or the Hospital may, without creating a default hereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any such fees, charges or expenses. The initial or acceptance fees of the Trustee and the fees, charges and expenses of the Trustee or other Paying Agents, which become due prior to the Completion Date from any Project, will be paid from the appropriate account in the Construction Fund as and when the same shall become due, so long as such payment will not cause the Authority to violate the two percent limit on the costs of issuance to be paid out of the proceeds of the Bonds under Section 147 of the Code.

Section 4.4. Moneys to be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the Account of any special Fund or any other fund or account, under any provisions of this Indenture, shall be held by the Trustee in trust, and except for moneys deposited with or paid to Trustee for the redemption of Bonds, notice of the redemption of which has been duly given shall, while held by the Trustee, be subject to the lien hereof.

Section 4.5. Payment of Bonds. The Authority shall promptly pay or cause to be paid the principal or redemption price of, and the interest on, every Bond issued hereunder according to the terms thereof, but shall be required to make such payment or cause such payment to be made only out of Gross Revenues.

Section 4.6. Repayment to the Authority from Special Funds. Except as provided in Section 4.2 of this Indenture, any amounts remaining in the Special Funds, after all of the Bonds and coupons appertaining thereto shall be deemed to have been paid and discharged under the provisions of this Indenture and the fees, charges and expenses of the Trustee and the Paying Agents and all other amounts required to be paid under this Indenture shall have been paid, shall be paid to the Hospital.

ARTICLE V

Provisions as to Construction Fund and Projects

Section 5.1. Records of Construction Fund. The Trustee shall cause to be kept and maintained adequate records pertaining to the Construction Fund and all Accounts therein and all disbursements therefrom and after any Project has been completed and a certificate of payment of all costs filed as provided in Section 5.2 of this Indenture, the Trustee shall, if requested by the Authority, file an accounting thereof with the Authority.

Section 5.2 Completion of a Project. The completion of a Project and payment of all costs and expenses incident thereto shall be evidenced by the filing with the Trustee of (i) the certificate of the Hospital required by the provisions of Section 5.3 of this Indenture and (ii) a certificate signed by the Executive or Fiscal Officer of the Hospital, which certificate shall state that all obligations and costs in connection with the Projects and payable out of the Construction Fund have been paid and discharged except for amounts retained for the payment of costs of such Projects not then due and payable as therein provided. As soon as practicable and in any event after sixty (60) days from the date of the certificate referred to in clause (ii) of the preceding sentence, any balance remaining in the Construction Account relating to a Project (other than the retained amounts referred to in the preceding sentence) shall be deposited (a) if from the 1977 Construction Account, in the GRO Fund unless the Trustee shall have been properly directed to purchase Bonds on the open market for the purpose of cancellation in accordance with the 1977 Bond Resolution, (b) if from the 1991 Construction Account, in the 1991 Bond Principal Account or the 1991 Bond Interest Account to the extent of any remaining balance of such monies to be applied against the first or next succeeding principal (including a mandatory sinking fund redemption) or interest payment or payments coming due on the 1991 Bonds in such order of priority, (c) if from the 1994 Construction Account, in the 1994 Bond Interest Account to the extent of any remaining balance of such monies to be applied against the first or next succeeding interest payment or payments coming due on the 1994 Bonds in such order of priority, and (d) if from any other Construction Account, in accordance with the provision of the Supplemental Trust Indenture relating to such project.

Section 5.3. Establishment of Completion Date. The Completion Date for any Project shall be evidenced to the Trustee by a certificate signed by the Hospital stating that, except for amounts retained for Project costs not then due and payable, (i) construction, acquisition and installation of such Project has been completed in accordance with the specifications therefor and all labor, services, material and supplies used in such construction have been paid for, (ii) all other facilities necessary in connection with such

Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid, (iii) such Project and all other facilities necessary in connection with such Project have been constructed, acquired or installed, as the case may be, in such manner as to conform with all applicable zoning, planning and building regulations of the governmental authorities having jurisdiction of such Project, and (iv) the furnishings, equipment and other movable personal property included in such Project have been installed and are suitable and sufficient for the operation of such Project as Hospital Facilities and all costs and expenses incurred in the acquisition and installation of such have been paid. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being.

ARTICLE VI

Special Funds

Section 6.1 Creation of Special Funds. The Authority has authorized the creation of the following Special Funds, for the purposes and in accordance with the provisions of the Bond Resolution:

- (a) Bond Interest Fund;
- (b) Bond Principal Fund;
- (c) Debt Service Reserve Fund;
- (d) Gross Revenues and Operating Fund (known as GRO Fund);
- (e) Bond Issuance Costs Fund;
- (f) Depreciation Reserve Fund;
- (g) Rebate Fund;
- (h) Construction Fund; and
- (i) Escrow Deposit Fund.

The Trustee shall establish within the Bond Interest Fund, Bond Principal Fund, Debt Service Reserve Fund, Bond Issuance Costs Fund, Rebate Fund, and Construction Fund, separate Accounts relating to each series of Bonds created hereunder or specifically described herein, except as otherwise set forth in a Supplemental Trust Indenture.

The officers of the Authority and the Trustee shall provide for identifying such Special Funds in a distinctive manner. All such Special Funds shall be held and managed by the Trustee as provided in the respective Bond Resolutions or in the Indenture for the benefit of the holders of the Bonds. Such Funds, and the respective Accounts therein, shall be continued hereunder after the discharge of any series of Bonds or the defeasance and discharge of this Indenture, except as otherwise set forth therein or in a Supplemental Trust Indenture.

Section 6.2. Deposit Allocation and Disposition of Bond Proceeds and Other Moneys.

(A) 1977 Bonds. Immediately upon the sale and delivery of the 1977 Bonds, the Authority delivered the net proceeds thereof to the Trustee. The Trustee thereupon deposited such proceeds in the Escrow Deposit Fund held by United States National Bank of Oregon, as Trustee for the Prior Bonds in order to defease the Prior Bonds, as described in the Escrow Deposit Agreement dated September 1, 1977 between the Authority and United States National Bank of Oregon. At the same time, the Authority delivered to the Trustee for deposit to the 1977 Bond Interest Account a sum equal to interest on the 1977 Bonds from September 1, 1977 to September 30, 1977; the sum of \$416,000 to pay off and discharge the First Mortgage Serial Bonds, Series A, and the balance was deposited to the Bond Issuance Costs Fund (formerly, the Expense Fund) to pay all costs and expenses associated with the 1977 Bonds.

(B) 1991 Bonds. Immediately upon the sale and delivery of the 1991 Bonds, the Authority delivered the net proceeds thereof with other available moneys to the Trustee. The Trustee thereupon deposited such proceeds as follows:

FIRST: Accrued interest, if any, was deposited into the 1991 Bond Interest Account, to provide for the payment of interest accruing on the 1991 Bonds from their date to the date of closing and delivery of the 1991 Bonds;

SECOND: The sum of \$682,249.11 was deposited in the 1991 Debt Service Reserve Account;

THIRD: The sum of \$7,616,537.78 was deposited into the 1991 Construction Account to pay the Cost of Capital Projects; and

FOURTH: The sum of \$21,888.00 was deposited to the 1991 Bond Issuance Costs Account to pay the costs of issuance of the 1991 Bonds. Such payments were made at the direction of an Authorized Officer of the Hospital. Upon Receipt of a certificate signed by an Authorized Officer of the Hospital stating that all fees and expenses had been paid in connection with the issuance of the 1991 Bonds, the Trustee transferred all monies remaining in the 1991 Bond Issuance Costs Account at the option of the Hospital to the 1991 Bond Principal Account, the 1991 Bond Interest Account, or if such certificate was received prior to the Completion Date for the 1991 Project, to the 1991 Construction Account.

(C) 1994 Bonds. Immediately upon the sale and delivery of the 1994 Bonds, the Authority shall deliver the net proceeds thereof with other available monies to the Trustee. The Trustee shall thereupon deposit such proceeds as follows:

FIRST: Accrued interest, if any, shall be deposited into the 1994 Bond Interest Account, to provide for the payment of interest accruing on the 1994 Bonds from their date to the date of closing and delivery of the 1994 Bonds;

SECOND: The sum of \$1,086,240.00 shall be deposited into the 1994 Debt Service Reserve Account;

THIRD: The sum of \$11,658,306.10 shall be deposited into the 1994 Construction Account to pay Costs of Capital Projects associated with the 1994 Project.

FOURTH: The sum of \$130,000 shall be deposited into the 1994 Bond Issuance Costs Account to pay the costs of issuance of the 1994 Bonds. Such payments shall be made at the direction of an Authorized Officer of the Hospital. Upon receipt of a certificate signed by an Authorized Officer of the Hospital stating that all fees and expenses have been paid in connection with the issuance of the 1994 Bonds, the Trustee shall transfer all monies remaining in the 1994 Bond Issuance Costs Account at the option of the Hospital to the 1994 Bond Principal Account, the 1994 Bond Interest Account, or if such certificate is received prior to the Completion Date for the 1994 Project, to the 1994 Construction Account.

Section 6.3. Continuation of 1975 Construction Fund. Moneys in the 1975 Construction Fund created by Resolution of the Authority shall be held by the Trustee in a separate and distinct account. So long as no default shall occur under the Lease, Indenture or the Loan Agreement and the balances in all Special Funds are in compliance with the requirements of the Bond Resolution, the Trustee shall permit the Hospital to manage all moneys and investments in the 1975 Construction Fund and they may be expended in the sole discretion of the Hospital for payment or reimbursement of any of the following:

(a) Expenses incurred in connection with the acquisition by the Authority of title to the 1977 Project; and

(b) Fees for recording any deed or lease of the 1977 Project and any title curative documents that may be required or desirable to file or record in order to perfect or protect the title of the Authority to and the interest of the Hospital in the 1977 Project, and fees and expenses in connection with any actions or proceedings that may be required or desirable in order to perfect or protect the title of the Authority to and the interest of the Hospital in the 1977 Project; and

(c) Advances, payments and expenditures for or in connection with the preparation of plans and specifications for and supervision of the construction of the 1977 Project (including any preliminary study or planning of the 1977 Project or any aspect thereof) and for all real or personal properties deemed necessary in connection with the 1977 Project, including architectural, legal, engineering and supervisory services with respect to any of the foregoing; and

(d) Costs of labor, services and materials including reimbursement for such costs heretofore paid by the Hospital, used or furnished in site improvement and in the construction, acquisition and installation of the 1977 Project, the construction, acquisition and installation of utility services, and all real and personal property deemed necessary in connection with the 1977 Project, including miscellaneous expenses incidental to any of the same, including the premium on each surety bond,

if any, required to be deposited with the Trustee under any of the provisions of the Indenture; and

(e) Premiums attributable to title insurance, if any, and all insurance required to be taken out and maintained during the construction period of the portion of the 1977 Project to be constructed from moneys in the 1975 Construction Fund; and

(f) Taxes, assessments, whether general or special and governmental charges of any kind whatsoever that become payable during the construction period; and

(g) Expenses incurred in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the 1977 Project; and

(h) Financial, legal, accounting and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the 1977 Bonds and the preparation and delivery of the Lease, or any Amendment thereto, and deed by which the Authority acquired title to the 1977 Project, this Indenture and other related documents; and

(i) Fees and expenses of the Trustee and of any paying agent properly incurred under this Indenture that may become due during the construction period of the portion of the 1977 Project to be constructed from moneys in the 1975 Construction Fund; and

(j) Any other costs relating to the 1977 Project or other related, incidental, and necessary costs and expenses; and

(k) Payment into any Bond Interest Account and Bond Principal Account of any amounts necessary, after application of all moneys in such Special Funds, to the payment of interest, principal and any premium due on the 1977 Bonds prior to the completion of construction of the 1977 Project.

During the period of construction, at least quarterly, the Hospital shall furnish the Authority and the Trustee with a complete accounting of all disbursements from the 1975 Construction Fund and a statement of all projected disbursements from the 1975 Construction Fund. The Hospital shall also furnish the Authority and the Trustee with all audited and unaudited financial statements of the Hospital, as and when prepared. All such accountings and financial statements shall indicate the revenues from the expenses of the operation of the Hospital, the balances in the Special Funds and the requirements for disbursements therefrom, and the obligations of the 1977 Bonds.

If at any time during the Construction period, it appears to the Authority or to the Trustee that there is a question as to the adequacy of the accountings, financial statements,

projections, or moneys to permit the Authority to meet its obligations on the 1977 Bonds, then the Trustee on its own volition or at the request of the Authority shall take sole possession of the then balance of the 1975 Construction Fund, with or without prior notice to the Hospital, and the Trustee shall thereafter make disbursements from the Construction Fund only upon the instruction of the Authority.

Any amount remaining in the 1975 Construction Fund after completion of the 1977 Project and payment of all costs and expenses thereof, shall be deposited into the Depreciation Reserve Fund.

Section 6.4. Disbursements from the Construction Fund. Payments authorized by this Section 6.4 shall be from or to the Account in a fund established for the particular project for which the payment is made; moneys shall not be intermingled between or among accounts established for different projects. The Authority authorizes and directs the Trustee to make payments from the Construction Fund to pay (or to reimburse the Hospital for the payment of) the Cost of Capital Projects for the particular project for which the account in the Construction Fund was established. Each payment of the Cost of Capital Projects shall be made only upon receipt by the Trustee of a requisition signed by an authorized representative of the Hospital stating (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due or was made, (iii) the amount to be paid, (iv) that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from the Construction Fund, (v) the nature of each item for which the payment is proposed to be made and that such item is or was reasonable and necessary in connection with each respective Project for which the Construction Fund was founded and is a proper charge against the Construction Fund, (vi) that upon payment of the amount requested in such requisition, the amount remaining in the Construction Fund, together with other legally available moneys of the Hospital, are sufficient to pay the portion of the Cost of Capital Projects for each such Project then unpaid, (vii) that any item purchased with moneys requisitioned shall be owned and used only by the Hospital, (viii) that the use of the moneys requisitioned by the Hospital will not adversely affect the tax-exempt status of the Bonds, and that (ix) the Hospital reaffirms all representations and warranties made in the Tax Regulatory Agreement relating to the Project for which the requisition is made.

Section 6.5. Deposit, Allocation and Disposition of Gross Revenues.

(A) Deposit. So long as any Bonds remain Outstanding, or until the balances in the Special Funds (other than the GRO Fund and the Rebate Fund) are sufficient to retire all then Outstanding Bonds, including payment of all principal, premiums, and accrued interest, the Authority shall require the Hospital to deposit all proceeds from Gross Revenues into the GRO Fund. The GRO Fund shall be held by the Trustee, in a separate and distinct bank controlled account or accounts, except when invested. So long as no default shall occur under the Bond Documents and the payments into and balances in all Special Funds are in compliance with these requirements, the Trustee shall permit the Hospital to manage all moneys and investments in the GRO Fund and all funds therein

shall be transferred to such operating accounts of the Hospital as it shall direct the Trustee and such operating funds may be expended in the sole discretion of the Hospital.

Notwithstanding the foregoing paragraph, the Gross Revenues, including all moneys in the investments of the GRO Fund, shall at all times be subject to a security interest in favor of the Authority and the Trustee. In the event of any default under the Bond Documents, or the failure to make any payment into the Special Funds as provided below, then the Trustee shall take sole possession of the moneys and investments in the GRO Fund, with or without prior notice to the Hospital. Thereafter, and unless and until all such defaults are remedied and payments made, the Trustee shall hold and manage the GRO Fund and make disbursements into the other Special Funds and to the Hospital as provided below.

At all times when 1977 Bonds are Outstanding, the Hospital shall furnish the Authority and the Trustee with all unaudited financial statements of the Hospital as and when prepared. In addition, as long as the 1977 Bonds are Outstanding, the Hospital shall furnish the Trustee, the Authority and Bondholders (upon request), within 120 days following the end of each fiscal year, a complete audited financial statement certified by an independent certified public accountant and satisfactory to the Trustee showing the operations of the Hospital, a current balance sheet and a comparison of prior years. The Hospital shall also forward, as long as the 1977 Bonds are Outstanding, copies of such annual reports to the Committee on Valuation of Securities of the National Association of Insurance Commissioners in New York City, Moody's Investors Service, Inc. in New York City, Shearson Lehman Brothers, Inc., formerly known as Foster & Marshall, Inc., in Seattle, Washington and Fitch. At any time when all defaults are remedied and all payments made, and when it shall otherwise appear to the Trustee that the financial position of the Hospital is sufficient to enable the Hospital and the Authority to meet the obligations of all then Outstanding Bonds, then the Trustee may restore management of the GRO Fund to the Hospital.

(B) Allocation and Disposition. The Rental Amounts and other payments required by the Lease or the Loan Agreement shall be at least sufficient to satisfy the requirements of the Special Funds named below and shall be made from the GRO Fund into the Special Funds named below and in the order indicated:

FIRST: Beginning in the month of September 1977 for the 1977 Bonds, and on the 15th day of each month thereafter, there shall be deposited into the 1977 Bond Interest Account, one-sixth (1/6) of the amount required to pay the interest due on the 1977 Bonds on the next forthcoming Interest Payment Date with respect to the 1977 Bonds. Beginning on August 15, 1991 for the 1991 Bonds, and on the 15th day of each month until and including November 15, 1991, there shall be deposited into the 1991 Bond Interest Account one-fourth (1/4) of the amount required to pay the interest due on the 1991 Bonds on the next forthcoming Interest Payment Date and on the 15th day of each month after November 15, 1991, there shall be deposited into the 1991 Bond Interest Account, one-sixth (1/6) of the amount required to pay the interest due on the 1991 Bonds on the next forthcoming Interest

Payment Date with respect to the 1991 Bonds. Accrued interest received from the sale of the 1991 Bonds shall be credited against the first such deposits required. Beginning on October 15, 1994, for the 1994 Bonds, and on the 15th day of each month thereafter until and including February 15, 1995, there shall be deposited into the 1994 Bond Interest Account, one-fifth (1/5) of the amount required to pay the interest due on the 1994 Bonds on the next forthcoming Interest Payment Date, and on the 15th day of each month after February 15, 1995, there shall be deposited into the 1994 Bond Interest Account one-sixth (1/6) of the amount required to pay the interest due on the 1994 Bonds on the next forthcoming Interest Payment Date with respect to the 1994 Bonds. The deposits required under this paragraph with respect to the 1994 Bonds from October 15, 1994 through and including February 15, 1996 may be made from the 1994 Construction Account rather than from the GRO Fund, if, as of the date such deposit is required, the Hospital has delivered to the Trustee a requisition pursuant to Section 6.4 hereof requesting the Trustee to apply moneys in the 1994 Construction Account to payment of such deposit. Accrued interest received from the sale of the 1994 Bonds shall be applied to payment of the first interest coming due on the 1994 Bonds. Moneys in these accounts shall be used to pay interest on the Bonds on the Interest Payment Dates.

SECOND: Beginning in the month of September, 1977 for the 1977 Bonds, and on the 15th day of each month thereafter, there shall be deposited into the 1977 Bond Principal Account, one-twelfth (1/12) of the amount required for the payment of the principal to be retired on the next forthcoming Maturity Date. Beginning on August 15, 1991 for the 1991 Bonds, and on the 15th day of each month until and including November 15, 1991, there shall be deposited into the 1991 Bond Principal Account one-eighth (1/8) of the amount required for the payment of the principal to be retired on the next forthcoming Maturity Date and on the 15th day of each month after November 15, 1991, there shall be deposited into the 1991 Bond Principal Account one-twelfth (1/12) of the amount required for the payment of the principal to be retired on the next forthcoming Maturity Date from the 1991 Bonds. Beginning on September 15, 1996, for the 1994 Bonds, and on the 15th day of each month thereafter, there shall be deposited into the 1994 Bond Principal Account one-twelfth (1/12) of the amount required for the payment of the principal to be retired on the next forthcoming Maturity Date for the 1994 Bonds. Moneys in these accounts shall be used to pay the principal of Bonds maturing or subject to redemption.

THIRD: In the event that any deposit required by paragraphs FIRST or SECOND, above, is not made at the time required, the deficiency shall be made up immediately, by the Trustee, out of the Debt Service Reserve Fund or out of the Depreciation Reserve Fund. There shall be deposited into the Debt Service Reserve Fund or Depreciation Reserve Fund in four (4) equal annual payments commencing September 1, 1978 and from time to time thereafter as required, and within ten (10) full Business Days of any determination by the Trustee that such a deposit is required, the amount required to maintain the Debt Service Reserve Requirement

for the 1991 Bonds, the 1994 Bonds and any Additional Bonds and, for the 1977 Bonds, an amount required to maintain an aggregate balance in such Funds equal to the sum of (i) the maximum annual debt service owing on the Bonds, including requirements for both interest and principal in any single succeeding year in which Bonds shall be outstanding, with Term Bonds assumed to mature, for determination of the amount to be deposited, in accordance with a level schedule of debt service, and (ii) the total amount of deposits which have been required to be made into the Depreciation Reserve Fund (less any amounts withdrawn from the Depreciation Reserve Fund as provided in subparts (a) through (d) pursuant to paragraph FOURTH, below).

FOURTH: There shall be deposited into the Depreciation Reserve Fund, annually, at least two full Business Days prior to the first day of February of each year, commencing February 15, 1978, the lesser of (i) \$250,000 or (ii) an amount equal to one year's depreciation on the Hospital Facility, ~~calculated~~ in accordance with generally accepted accounting principles applicable to hospitals and their related facilities, for its preceding fiscal year. The amount of money required to be deposited under (i) and (ii) above shall be reduced by payments made during such fiscal year for (a) the acquisition of equipment or construction of improvements, for use as Hospital Facilities if the annual depreciation on all Hospital Facilities is maintained at a level at least equal to the annual principal payments on the Bonds; (b) payments into the Bond Principal Fund; (c) the lease of equipment for which the lease payments are allowed as a reimbursable expense by third party reimbursers; and (d) the purchase and redemption of Bonds. Money on hand in such Fund may be disbursed to make payments described in (a) through (d) above.

In addition to the above payments into the Depreciation Reserve Fund, there may be accumulated in the Depreciation Reserve Fund, out of Gross Revenues or other available monies, additional sums. Monies on hand in the Depreciation Reserve Fund which are in excess of the requirements of the above paragraph may be credited against the amounts required to be on hand in the Debt Service Reserve Fund and any surplus in the Debt Service Reserve Fund created by such credit may be disbursed to make payments described in (a) through (d) of paragraph FOURTH, above. However, the amount on hand in the Debt Service Reserve Fund, together with the amounts on hand in the Depreciation Reserve Fund, shall, for the 1991 Bonds, the 1994 Bonds and any Additional Bonds, at no time be reduced below the Debt Service Reserve Requirement, and shall, for the 1977 Bonds, at no time after September 1, 1981 be reduced below the sum of the maximum annual debt service on the Bonds plus the amounts required to be paid into the Depreciation Reserve Fund (less any amounts withdrawn from the Depreciation Reserve Fund as provided in subparts (a) through (d) pursuant to paragraph FOURTH, above).

Any such transfers to the Bond Principal Fund shall be credited against the payments next required under paragraph SECOND, above.

The Debt Service Reserve Fund and Depreciation Reserve Fund shall be valued annually by the Trustee within thirty days prior to or subsequent to December 1 in any year to determine whether moneys in the Debt Service Reserve Fund or the Depreciation Reserve Fund are sufficient to meet the Debt Service Reserve Requirements. Copies of such valuation shall be provided by the Trustee to the Hospital. In the event such valuation reveals that the Debt Service Reserve Fund and Depreciation Reserve Fund is less than 90 percent of the Debt Service Reserve Requirement due to valuation of the Investment Securities or Eligible Investments (unless such deficiency is due solely to valuation of an Investment Security or Eligible Investment with a remaining term of one year or less), the Hospital shall cause to be deposited with the Trustee the amount necessary to increase the balance in the Debt Service Reserve Fund within 120 days of the date of such valuation to an amount at least equal to the Debt Service Reserve Requirement.

Moneys in the Debt Service Reserve Fund shall be used solely for the payment of the principal of, premium, if any, and interest on the Bonds in the event monies in the Bond Principal Fund and Bond Interest Fund are insufficient to make such payments when due, whether on an Interest Payment Date, redemption date, Maturity Date, or otherwise. Upon the occurrence of an Event of Default hereunder and the exercise by the Trustee of the remedy specified in Section 14.2 hereof, any monies in the Debt Service Reserve Fund shall be transferred by the Trustee to the Bond Interest Fund, and with respect to any monies in excess of the amount required to be transferred to the Bond Interest Fund, to the Bond Principal Fund and applied in accordance with Section 14.7 hereof. If, on the final Maturity Date of any Series of Bonds, the Debt Service Reserve Requirement will be reduced as a result of such fiscal maturity, the amount on deposit in the Debt Service Reserve Fund in excess of such reduced Debt Service Reserve Requirement may be used to pay the principal of and the interest on the Bonds of such series on such final Maturity Date.

In the event any monies in the Debt Service Reserve Fund are transferred to the Bond Principal Fund or the Bond Interest Fund pursuant to this Section 6.5, the Authority shall cause the Hospital within six months of the date of such transfer, to deposit monies into the Debt Service Reserve Fund in an amount sufficient to cause the total amount in the Debt Service Reserve Fund to equal the Debt Service Reserve Requirement.

The Bond Interest Fund, the Bond Principal Fund, the Debt Service Reserve Fund and the Depreciation Reserve Fund shall be maintained in the custody of the Trustee and shall, except as otherwise expressly provided, be used solely for the payment of the principal of, any premium and interest on the Bonds.

At any time when the GRO Fund is in the sole possession of the Trustee and in the event of a default of the Hospital, the Trustee shall, in the following order of priority:

(1) Make monthly deposits in advance to the Bond Interest Fund and the Bond Principal Fund of one-sixth (1/6) or one-twelfth (1/12), as the case may be, of the semiannual and annual deposits required in paragraphs FIRST and SECOND above.

(2) Make all deposits required to the Debt Service Reserve Fund.

(3) To the extent not otherwise paid, pay the moneys which are due and payable from the Hospital to other parties under the Bond Documents.

After making such deposits, the Trustee shall permit the Hospital to use the balance, if any, of the GRO Fund for general corporate purposes of the Hospital.

(C) Additional Uses. In the discretion of the Hospital, at such time as the balances in the Debt Service Reserve Fund and the Depreciation Reserve Fund equal or exceed all remaining obligations for the payment of the principal of and interest on all Bonds then Outstanding, such balances may be used to make such payments or may be transferred to the Bond Principal Fund or the Bond Interest Fund to provide for such payments, and the reductions in balances need not be restored.

At any time, upon request of the Authority or the Hospital, and if provided with sufficient other moneys, the Trustee shall make available out of the Special Funds the amount required to retire on the next forthcoming redemption date any Outstanding Bonds provided that the balances thereafter remaining in the Special Funds are sufficient with respect to the Bonds thereafter Outstanding.

Nothing in the Bond Resolution or this Indenture is intended to prevent the Authority or the Hospital from delivering moneys to the Trustee for the purchase or redemption of Bonds or to prevent the Hospital from purchasing Bonds on the open market. Any Bonds purchased for cancellation shall be purchased at a price not exceeding their then fair market value or their then prevailing redemption price, or if not then callable, then at the price at which the Bonds are first redeemable.

ARTICLE VII

Investment or Deposit of Funds; Rebate Fund

Section 7.1. Investment of Special Fund Moneys. (A) Until required for their specified purposes, all moneys on deposit in the several Special Funds shall be invested at the request and direction of the Hospital in Eligible Investments. Eligible Investments means the following securities: (i) any bonds or other obligations of the United States of America which as to principal and interest either constitute direct obligations of, or are guaranteed by, the United States of America, (ii) obligations of the Federal National

Mortgage Association or the Government National Mortgage Association, (iii) obligations of federal intermediate credit banks, (iv) obligations of federal banks for cooperatives, (v) obligations of federal land banks, (vi) obligations of federal home loan banks, (vii) certificates of deposit of banks, savings and loan associations or trust companies, including the Trustee, organized under the laws of the United States of America or any state thereof, which have combined capital and surplus of at least \$10,000,000 in dollars of the United States of America, provided, however, that each such certificate of deposit shall not be in excess of \$100,000 and shall be fully insured by the Federal Deposit Insurance Corporation; and (viii) when the 1977 Bonds are no longer Outstanding, (A) State Obligations and (B) Investment Securities, provided, however, that such State Obligations and Investment Securities are rated not lower than the then current rating by S&P on the Bonds, if S&P is then maintaining a rating on the Bonds. In no event shall the aggregate amount held in the Funds designated in clause (e) of the definition of Investment Securities exceed 50% of maximum combined annual debt service on the 1991 Bonds and the 1994 Bonds.

Moneys in the Bond Principal and Interest Funds shall be invested only in Eligible Investments (or, when the 1977 Bonds are no longer Outstanding, Investment Securities) which are direct obligations of, or fully guaranteed by, the United States and mature or are redeemable before the next Interest Payment Date or Maturity Date.

Moneys in the Debt Service Reserve Fund and the Depreciation Reserve Fund shall be invested only in Eligible Investments (or, when the 1977 Bonds are no longer Outstanding, Investment Securities) having a maturity date not to exceed ten years. In addition, no more than 25% of the total moneys in the Debt Service Reserve Fund may mature or be redeemable later than five (5) years from the date of purchase. Moneys in the Depreciation Reserve Fund may also be loaned to the Hospital to pay operation and maintenance so long as the moneys so loaned are restored to the Fund, with interest at the prevailing New York prime rate, within one hundred eighty (180) days.

Notwithstanding the above, moneys in the GRO Fund may be invested at the discretion of the Board of Trustees of the Hospital in any investment which persons of prudence, discretion and intelligence acquire.

All such investments may, when and as directed by the Hospital, be sold, surrendered, exchanged, or otherwise disposed of, and in computing the amount of each Special Fund, the investments therein shall be valued according to the requirements set forth in Section 7.2 hereof.

Any investment may be purchased from the Trustee. All investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the Special Fund from which the investment has been made.

(B) Interest earned on the 1977 Bond Interest Account during the construction period of the 1977 Project shall be credited to the Construction Fund, and after completion of the construction shall be credited first to the Debt Service Reserve Fund, if a deposit is required thereto, and then to the GRO Fund to be accumulated therein. Interest earned on the Debt Service Reserve Fund during construction of the 1977 Project, during construction of the 1991 Project and during construction of the 1994 Project shall be credited to the Construction Fund, and thereafter shall be credited to the Bond Interest Fund to be applied to the payment of interest on the next forthcoming Interest Payment Date. Interest which was earned on the Debt Service Reserve Fund and which is on deposit in the Bond Interest Fund shall be invested for no more than one year in Eligible Investments which are direct obligations of, or guaranteed by the United States and mature or are redeemable before the next Interest Payment Date or Maturity Date and may not be reinvested thereafter. Other than as described above, interest earned on each Special Fund shall be credited to such Special Fund.

Section 7.2. Valuation of Funds. The Trustee shall value the assets in each of the Funds established hereunder as of the last Business Day of each month, after taking into account all transfers or payments required to be made from each Fund on such date or the immediately succeeding Business Day. In computing the assets of any fund or account, investments and accrued interest thereon shall be deemed a part thereof. Such investments shall be valued at the face value or the current market value thereof, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder.

Section 7.3. Bonds Not to Become Arbitrage Bonds. The Authority and the Trustee covenant to the holders of the Bonds that, notwithstanding any other provision of this Indenture or any other instrument, they will not knowingly make or permit any investment or other use of the proceeds of the Bonds or take any action with respect to the amounts payable under the Lease or the Loan Agreement which would cause the Bonds to be arbitrage bonds under Section 103(c) of the Internal Revenue Code of 1954 (as to the 1977 Bonds) or under Section 148 of the Code (as to the 1991 Bonds and 1994 Bonds and any Additional Bonds), and the regulations thereunder, and they further covenant that they will comply with the requirements of such sections and regulations. The foregoing covenants shall extend throughout the term of the Bonds, to all funds and accounts created under this Indenture and all moneys on deposit to the credit of any such fund or account, and to any other amounts which are Bond proceeds for purposes of Section 103(c) or Section 148 of the Code and the regulations thereunder. The Authority and the Trustee covenant that they will not take any action or permit any action within their control to be taken which would adversely affect the exemption from Federal income tax of interest on the Bonds, and will comply with the provisions of the Authority's non-arbitrage certificate.

Section 7.4. Rebate Fund. There shall be and hereby is created with the Trustee a special trust fund to be known as "Klamath Falls Intercommunity Hospital Authority Excess Earnings Fund (Merle West Medical Center)" (the "Rebate Fund") to be administered

by the Trustee. This special trust fund shall be for the payment of any rebates to the United States required to be made pursuant to Section 148(f) of the Code. The Trustee shall establish within the Rebate Fund separate accounts relating to each series of Bonds created hereunder except the 1977 Bonds. Moneys in the Rebate Fund shall be used only as provided in this Section 7.4.

(A) Hospital to Calculate Rebateable Amount. The Trustee shall maintain records of investment transactions of the gross proceeds of the 1991 Bonds held in all the 1991 Special Accounts, and of the 1994 Bonds held in all the 1994 Special Accounts, other than the GRO Fund (collectively, the "Accounts") on an investment-by-investment basis and shall make such records available at the request of the Hospital to the Rebate Analyst. The Hospital shall cause the Rebateable Amount to be calculated as of each Installment Computation Date and as of the Final Computation Date. The Hospital shall employ a Rebate Analyst to calculate the Rebateable Amount.

(B) The Hospital shall cause the rebate calculations to be completed and filed with the Trustee not later than forty-five (45) days after each Installment Computation Date, or forty-five (45) days after the Final Computation Date.

(C) Not later than three (3) Business Days after the rebate calculations are filed with the Trustee, the Hospital shall deposit to the Rebate Fund an amount (the "Required Balance") such that the balance in the Rebate Fund is at least equal to the Rebateable Amount.

(D) Not later than fifty-five (55) days after each Installment Computation Date, or fifty-five (55) days after the Final Computation Date, the Hospital shall cause to be paid to the United States any amount which is required to be paid under Section 148(f)(3) of the Code. The Hospital shall either make such payment directly or instruct the Trustee to make such payment from amounts on deposit in the Rebate Fund. The Trustee shall, at the written direction of the Hospital, disburse money from the Rebate Fund to the United States for such payments. Each payment shall be mailed to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 and shall be accompanied by a copy of I.R.S. Form 8038-T. In the event that the Hospital, rather than the Trustee, makes any payment to the United States required by this Section 7.4, the Hospital shall provide the Trustee with a copy of the IRS Form 8038-T accompanying such payment no later than five Business Days after the payment is made.

(E) Money in the Rebate Fund shall be invested by the Trustee at the written direction of the Hospital in Investment Securities which mature no later than the date which is fifty-five (55) days after the earlier of the next Installment Computation Date or the Final Computation Date.

(F) No earlier than 120 and no later than 90 days prior to each Installment Computation Date and the Final Computation Date, the Trustee shall notify the Hospital of the action which is required by the foregoing subsections. No earlier than 10, and no later than 5, days prior to the time a rebate payment must be made under subsection (D) of this Section 7.4, the Trustee shall use its best efforts to notify the Hospital of the action required by subsection (B) of Section 7.4. No notice need be given if the required action already has been taken by the Hospital.

(G) In addition to the records required by subsection (A) of this Section 7.4, the Trustee shall maintain such records of investments, deposits and disbursements in the Funds as the Authority or the Hospital may specifically instruct the Trustee to maintain to comply with the provisions of Section 148(f) of the Code and this Section 7.4. Records of the determinations required under this Section 7.4 shall be retained by the Trustee on behalf of the Authority until six years after the payment of all of the principal of the 1991 Bonds and the 1994 Bonds, as the case may be.

(H) In the event that no rebate payments are required to be made or in the event that not all the funds held in the Rebate Fund are required to be used for such rebate payments, the Trustee shall deposit all funds remaining in the special account of the Rebate Fund for the 1991 Bonds into the 1991 Bond Interest Account and in the special account in the Rebate Fund for the 1994 Bonds into the 1994 Bond Interest Account or pay it to the Hospital, if the Hospital provides the Trustee with an Approval of Bond Counsel.

(I) If the Hospital certifies that the proceeds of the 1991 Bonds or the 1994 Bonds, other than Construction Proceeds, deposited in the Construction Fund and all investment earnings on such proceeds have been expended by the date which is six months after the date of delivery of the 1991 Bonds or the 1994 Bonds, then the provisions of this Section 7.4 shall not apply to proceeds of the 1991 Bonds or the 1994 Bonds deposited in the Construction Fund.

(J) The Hospital shall be responsible for the calculation and paying of all rebates or penalties due under Section 148(f) of the Code. The Trustee shall not be obligated to calculate or pay rebates on behalf of the Hospital. The obligations of the Trustee under this Section 7.4 is limited to giving notice to the Hospital on a best efforts basis, keeping records, investing money and depositing and disbursing money in the Rebate Fund in accordance with instructions from the Hospital and this Section 7.4.

(K) Upon the occurrence of an Event of Default and the receipt of any moneys by the Trustee with respect to the 1991 Project, the 1994 Project or the Hospital Facilities pursuant to any right or action taken under the provisions of Article XIV hereof, the Hospital shall promptly provide the Trustee with an Approval of Bond Counsel as to all required rebate payments and penalties that must be made to the United States pursuant to Section 148(f) of the Code.

(L) The Authority, the Hospital and the Trustee agree to make any changes to the Bond Documents necessary to meet the requirements of Section 148(f) of the Code or any proposed, temporary or permanent Treasury Regulations issued, from time to time, thereunder, relating to the rebate of earnings on the gross proceeds of the 1991 Bonds and the 1994 Bonds and the Hospital shall provide an Approval of Bond Counsel with respect to any such changes at the Hospital's expense.

ARTICLE VIII

Additional Bonds

Section 8.1. Refunding Bonds Prior to Discharge of 1977 Bonds. Prior to the discharge of the 1977 Bonds, the Authority may at any time authorize and issue refunding or advance refunding Bonds for the purpose of refunding or securing the payment of all or any portion of the then Outstanding Bonds, provided that:

(a) The Authority obtains an opinion of Bond Counsel that such refunding will not adversely affect the exemption from federal income taxation of the Outstanding Bonds.

(b) Satisfactory provision is made to assure that moneys or securities listed as Eligible Investments in Section 7.1 sufficient to retire the Bonds to be refunded will be available for accomplishing such retirement; certificates of deposit as described in Section 7.1, subparagraph (A)(vii) under the definition of Eligible Investments are such Investments if fully secured by United States Government obligations on deposit with a Trustee.

(c) The resolution authorizing such refunding or advance refunding Bonds authorizes and requires any necessary adjustments in the amounts to be deposited and maintained in the Special Funds so as not to dilute the security provided by the Special Funds.

The issuance of refunding and advance refunding Bonds shall be subject to the general requirements set forth in Section 8.4 below.

Section 8.2. Additional Bonds Prior to Discharge of the 1977 Bonds. Prior to the discharge of the 1977 Bonds, the Authority may issue Additional Bonds for the purpose of making additions, enlargements, replacements, extensions and improvements to any Project or the Hospital Facilities. Such Additional Bonds may be issued only upon condition that the Hospital shall file with the Trustee its certified financial statements audited by an independent certified public accountant establishing that the Annual Net Income of the Hospital for the fiscal year preceding the issue date of the proposed Additional Bonds was not less than 125% of the maximum annual debt service on all Outstanding Bonds for

which the Hospital is obligated, including the proposed Additional Bonds; provided, however, in the case of Term Bonds only, the calculation shall be made on the basis that any Term Bonds would be amortized over the term of the entire issue. In addition, the Hospital shall file with the Trustee a pro-forma financial statement showing that the Annual Net Income available for total debt service on Bonds for the two-year period following completion of the proposed project will be not less than 140% of the maximum annual debt service, including in the case of Term Bonds only, the calculations being made on the basis that Term Bonds be amortized over the term of the entire issue. In the event the Hospital is unable to meet the above certification requirements, it shall not issue Additional Bonds until it has filed with the Trustee a written financial feasibility study made by a nationally recognized independent certified public accounting firm or hospital consultant evidencing that in the fiscal year preceding the issue date of the proposed Additional Bonds, the Hospital's Annual Net Income was not less than the 125% or the maximum annual debt service on all Outstanding Bonds for which the Hospital is obligated, with any Term Bonds being amortized over the term of the entire issue, and also that for the two years following completion of the proposed project, the Annual Net Income available for total debt service on the Bonds will be not less than 140% of the maximum annual debt service assuming, in the case of Term Bonds only, the calculations being made on the basis that the Term Bonds would be amortized over the term of the entire issue.

As further conditions to the issuance of such Additional Bonds, the Hospital and Authority shall file with the Trustee the following:

(a) The certificate of an independent architect or architectural firm acceptable to the Trustee, stating (i) that the facilities proposed to be financed with the proceeds derived from the sale of the Additional Bonds with respect to which such certificate is made are estimated to have a life usefulness in excess of five years and will be useful in the operation of the Project; (ii) the estimate of the actual cost of such facilities; and (iii) that such cost will represent the reasonable value of such facilities.

(b) An executed counterpart of a Supplemental Trust Indenture, duly executed by the Authority, providing for the terms, conditions and limitations of the Additional Bonds proposed to be issued including a pledge of revenues sufficient to pay the principal thereof and any premium and interest thereon, any additional premiums on insurance and fidelity bonds required for the proposed new facilities and any additional personnel to operate such new facilities; the payment into the Debt Service Reserve Fund in each month following completion of the construction, acquisition or installation to be financed from the Additional Bonds of amounts sufficient to make the amount on deposit in the Debt Service Reserve Fund in not later than the sixtieth month following such completion equal to the maximum amount required to be paid into the Debt Service Fund in any one succeeding calendar year for payment of principal of and interest on all Outstanding Bonds

(excluding any Term Bond maturity year), including Additional Bonds; and the payment into the Depreciation Reserve Fund of amounts so that the amounts which are to be deposited into the Depreciation Reserve Fund will equal the amounts in each year by which the principal payment required in such year exceeds the estimated amount to be received by the Hospital as a depreciation allowance for the same year for the project financed by such Additional Bonds. Depreciation allowance shall be calculated by the Hospital in accordance with generally accepted accounting principles applicable to hospitals.

(c) A certified copy of proceedings by the Authority approving and authorizing the construction, acquisition or installation of the proposed facilities, the issuance and sale of the proposed Additional Bonds and fixing the selling price thereof, approving and authorizing the execution of any required supplemental lease if the Project be then leased and of the Supplemental Trust Indenture, and taking any other action required in connection with the proposed new facilities and the proposed Additional Bonds.

(d) A certified copy of proceedings of the Hospital approving and authorizing the execution of the supplemental lease and taking any other action required in connection with the proposed new facilities and the proposed Additional Bonds.

(e) There shall be filed an ALTA form of title insurance policy, in favor of the Trustee and evidencing that the Authority has acquired such in a face amount equal to the cost of the acquisition of such lands or interests therein, if any, or equal to reasonable valuation thereof estimated by the Authority, if acquired by the Authority without cost, or if acquired at a nominal cost, the amount as may be authorized by the Authority.

Section 8.3. Additional Bonds After Discharge of the 1977 Bonds. Upon the consent of the Authority, on and after the discharge or defeasance of the 1977 Bonds, Additional Bonds may be issued for any lawful purpose under this Indenture and equally and ratably secured on a parity with all other Outstanding Bonds provided the following conditions are met, prior to the issuance of such Additional Bonds. Such Additional Bonds may be issued only upon condition that the Hospital shall file with the Trustee its certified financial statements audited by an independent certified public accountant establishing that the Annual Net Income of the Hospital for the fiscal year preceding the issue date of the proposed Additional Bonds was not less than 125% of the maximum annual debt service on all Outstanding Bonds for which the Hospital is obligated, including the proposed Additional Bonds; provided, however, in the case of Term Bonds only, the calculation shall be made on the basis that any Term Bonds would be amortized over the term of the entire issue. In addition, the Hospital shall file with the Trustee a pro-forma financial statement showing that the Annual Net Income available for total debt service on Bonds for the two-

year period following completion of the proposed project will be not less than 125% of the maximum annual debt service, including in the case of Term Bonds only, the calculations being made on the basis that Term Bonds be amortized over the term of the entire issue. In the event the Hospital is unable to meet the above certification requirements, it shall not issue Additional Bonds until it has filed with the Trustee a written financial feasibility study made by a nationally recognized independent certified public accounting firm or hospital consultant evidencing that in the fiscal year preceding the issue date of the proposed Additional Bonds, the Hospital's Annual Net Income was not less than the 125% or the maximum annual debt service on all Outstanding Bonds for which the Hospital is obligated, with any Term Bonds being amortized over the term of the entire issue, and also that for the two years following completion of the proposed project, the Annual Net Income available for total debt service on the Bonds will be not less than 125% of the maximum annual debt service assuming, in the case of Term Bonds only, the calculations being made on the basis that the Term Bonds would be amortized over the term of the entire issue.

As further conditions to the issuance of such Additional Bonds, the Hospital and Authority shall file with the Trustee the following:

(a) The certificate of an independent architect or architectural firm acceptable to the Trustee, stating (i) that the facilities proposed to be financed with the proceeds derived from the sale of the Additional Bonds with respect to which such certificate is made are estimated to have a life usefulness in excess of five years and will be useful in the operation of the Project; (ii) the estimate of the actual cost of such facilities; and (iii) that such cost will represent the reasonable value of such facilities.

(b) An executed counterpart of a Supplemental Trust Indenture, duly executed by the Authority, providing for the terms, conditions and limitations of the Additional Bonds proposed to be issued including a pledge of revenues sufficient to pay the principal thereof and any premium and interest thereon, any additional premiums on insurance and fidelity bonds required for the proposed new facilities and any additional personnel to operate such new facilities; the payment into the appropriate account of the Debt Service Reserve Fund and Depreciation Reserve Fund of an amount necessary to increase the amount on deposit therein to the Debt Service Reserve Requirement.

(c) A certified copy of proceedings by the Authority approving and authorizing the construction, acquisition or installation of the proposed facilities, the issuance and sale of the proposed Additional Bonds and fixing the selling price thereof, approving and authorizing the execution of any required supplemental lease if the Project be then leased and of the Supplemental Trust Indenture, and taking any other action required in connection with the proposed new facilities and the proposed Additional Bonds.

(d) A certified copy of proceedings of the Hospital approving and authorizing the execution of the supplemental lease and taking any other action required in connection with the proposed new facilities and the proposed Additional Bonds.

Section 8.4. General Requirements for Issuing Additional Bonds. Before the Trustee shall authenticate any Additional Bonds or execute any supplemental indenture securing Additional Bonds, it shall have received from the Authority, in addition to the things above mentioned, the following:

(a) A request and authorization to the Trustee on behalf of the Authority signed by its authorized officers, to authenticate and deliver the Additional Bonds to, or on the order of, the purchaser thereof who is therein identified, upon payment to the Trustee for the account of the Authority of a sum specified in such request and authorization plus accrued interest, if any, both of which shall be deposited as provided in the Supplemental Trust Indenture executed in connection with the issuance of such Additional Bonds.

(b) The written opinion of counsel for the Authority to the effect that the issuance of the Additional Bonds has been duly authorized and that all conditions precedent to their delivery have been fulfilled.

(c) The opinion of nationally recognized bond counsel that the Additional Bonds proposed to be issued are permitted by the Indenture and have been duly authorized, and will, when delivered and paid for, be the valid and binding special obligations of the Authority on a parity of lien with all Outstanding Bonds.

Upon receipt of such documents, the Trustee, unless it has cause to believe any of the statements made in such documents to be incorrect, shall thereupon authenticate the Additional Bonds, execute any Supplemental Trust Indenture, deliver such Additional Bonds as directed, and deposit or supply the proceeds of the sale thereof as provided in the Supplemental Trust Indenture and bond resolution authorizing such Additional Bonds.

ARTICLE IX

Covenants of Authority

Section 9.1. Covenants of Authority. The Authority hereby covenants with the Trustee and with the holders and owners of the Bonds as follows:

(a) Payment of Principal and Interest. The Authority will, solely from the sources herein provided, pay the principal of and any premium and interest on every Bond on the dates and at the places and in the manner mentioned in the Bonds or

in the coupons thereto appertaining, respectively, according to the true intent and meaning thereof.

(b) Performance of Covenants, Authority and Actions. The Authority covenants that it will faithfully observe and perform at all times all agreements, covenants, undertakings, stipulations and provisions contained in the Bond Resolution, the Indenture and in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings of the Authority pertaining to the Bonds, the Lease or the Loan Agreement. The Authority covenants that it is duly authorized by the Constitution and the laws of the State of Oregon to issue the Bonds authorized hereby, to execute the Indenture, to pledge its revenues, and to execute the Lease and the Loan Agreement, all to the extent herein and in the Indenture set forth; that all actions on its part for the issuance of the 1977 Bonds, the 1991 Bonds and the 1994 Bonds, and execution and delivery of the Indenture, the Lease and the Loan Agreement, have been duly and effectively taken, and if Additional Bonds are issued pursuant hereto, will be duly taken as provided herein and in the Bond Resolution, and that the Bonds in the hands of the Holders and Owners thereof are and will be valid and enforceable obligations of the Authority according to the terms thereof.

(c) Title to Project Facilities. The Authority covenants that it is the owner of good and marketable fee simple title to the 1977 Project, the 1991 Project and the 1994 Project free and clear of liens and encumbrances other than as set forth in the Indenture, and that upon delivery of the Bonds, has good right, full power and lawful authority to pledge and assign its revenues as herein and in the Bond Resolution provided.

(d) Maintenance of Lien. Prior to the discharge of the 1977 Bonds, except as otherwise provided in the Bond Resolution, Indenture, Lease, and Guaranty Agreement, the Authority will not sell or otherwise dispose of all or any part of the 1977 Project, the 1991 Project, the 1994 Project or the Hospital Facilities or create or suffer to be created any debt, mortgage, lien or charge thereon, or make any pledge or assignment of or create any lien or encumbrance upon the Gross Revenues or the Lease other than as provided in the Bond Resolution and Indenture.

(e) Payment of Taxes, Charges, Etc. The Authority will cause the payment of all lawful taxes, assessments and charges at any time levied or assessed upon or against the 1977 Project, the 1991 Project, the 1994 Project and the Hospital Facilities, or any part thereof; provided, however, that nothing contained in this Section 9.1 shall require the payment of any such taxes, assessments or charges if the same are not lawfully required to be paid, and provided further, that such payment will be made only from such funds as may be available from the Hospital.

(f) Maintenance and Repair. The Authority will cause the 1977 Project, the 1991 Project and the 1994 Project to be kept in good repair and good operating condition, and from time to time additions, remodeling, modifications and improvements to the 1977 Project, the 1991 Project and the 1994 Project may be undertaken subject to terms and conditions of the Lease or any other then existing lease or contract for the operation of the 1977 Project, the 1991 Project and the 1994 Project; and provided further, that such payment will be made only from funds as may be available from the Hospital.

(g) Public Records. The Authority covenants that it will cause this Indenture, the Lease and any subsequent lease of the 1977 Project, the 1991 Project and the 1994 Project hereinafter made and any amendments or supplements to either and all other instruments, to be recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the holders of the Bonds and rights of the Trustee under this Indenture.

(h) Inspection of Project Books. The Authority covenants and agrees that all books and documents in its possession relating to the 1977 Project, the 1991 Project and the 1994 Project and the pledged revenues shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

(i) List of Bearer Bondholders. To the extent that such information shall be made known to the Authority under the terms of this subsection, it will keep on file at the principal corporate trust office of the Trustee a list of names and addresses of the last known Holders of all 1977 Bonds payable to bearer and believed to be held by each of such last known Holders. Any 1977 Bondholder may request that his name and address be placed on the list by filing a written request with the Authority or with the Trustee, which request shall include a statement of the principal amount of 1977 Bonds held by such Holder and the number of such 1977 Bonds. The Authority and the Trustee shall be under no responsibility with regard to the accuracy of the list. At reasonable times and under reasonable regulations established by the Trustee, said list may be inspected and copied by the Authority or the Hospital, or by Holders or Owners, or combinations thereof (or a designated representative thereof) of twenty-five percent (25%) or more in principal amount of Bonds then outstanding, such ownership and the authority of any such designated representatives to be evidenced to the satisfaction of the Trustee.

(j) Use of the 1977 Project, the 1991 Project and the 1994 Project. The Authority covenants that it will use its best efforts to cause the 1977 Project, the 1991 Project and the 1994 Project to be continuously and efficiently used as Hospital Facilities; provided, however, that the Authority and its governing body shall not be liable to the Bondholders for any failure of the Hospital to operate the

1977 Project, the 1991 Project and the 1994 Project in a continuous and efficient manner adequate to provide the Gross Revenues required for the Lease payments in accordance herewith.

ARTICLE X

Acquisition of Projects

Section 10.1. Acquisition of Projects. The Authority has acquired from the Hospital good and sufficient title to the Hospital Facilities, and such acquisition is hereby ratified. The Authority hereby authorizes the construction of improvements and additions to the Hospital Facilities in the form of the 1977 Project, the 1991 Project and the 1994 Project, in accordance with plans and specifications now filed with the Authority, as the same may be modified or amended from time to time by the Hospital.

ARTICLE XI

Subordination of Security Interest

Section 11.1. Subordination of Security Interest. The security interest of the Authority and the Trustee in the GRO Fund, provided for herein, shall be subordinate to pledges of Gross Revenues for the following:

- (a) Trade accounts payable;
- (b) Non-renewable short term notes payable solely from contributions;
- (c) Non-renewable short term notes payable solely ~~out~~ of accounts receivable, in amounts not to exceed at any one time 50% of the Hospital's then outstanding current amounts receivable, after allowance for doubtful accounts and reserves for anticipated adjustments to third party payor accounts;
- (d) Indebtedness incurred for the purpose of acquiring furniture, fixtures, machinery, equipment or other similar personal property, including but not limited to property acquired by conditional lease, installment sale or other title retention contracts. Provided, however, that such indebtedness shall not at any time exceed an amount equal to 10% of the book value of the Hospital (cost less accumulated depreciation).

Except as provided in this Section 11.1, the Hospital shall not make any pledge of its Gross Revenues unless such pledge is subordinate to the lien of this Indenture.

ARTICLE XII

Possession, Use and Partial Release of Hospital Facilities

Section 12.1. Subordination to Rights of the Lessee. Prior to the discharge of the 1977 Bonds and termination of the Lease pursuant to Sections 10.3 and 10.4 of the Lease, as provided in Section 8.2 of the Lease, this Indenture and the rights and privileges hereunder of the Trustee and the Holders of the Bonds are specifically made subject and subordinate to the rights and privileges of the Lessee set forth in the Lease. In the event the Lease should be canceled or terminated, any agreement providing for the operation of the 1977 Project, the 1991 Project and the 1994 Project will make the same provisions with respect to such subordination as is made in the preceding sentence with respect to the Lease. So long as not otherwise provided in this Indenture or the Lease, the Authority shall be suffered and permitted to possess, use and enjoy the 1977 Project, the 1991 Project and the 1994 Project so as to carry out its obligations under the Lease.

Section 12.2. Release of the 1977 Project, the 1991 Project and the 1994 Project Land. Reference is made to the provisions of the Lease, including without limitation Section 7.5 thereof, whereby the Authority and the Lessee have reserved the right to withdraw from the Lease certain portions of the Hospital Facilities. The Trustee shall, upon request of the Authority or the Lessee, certify that such portion is no longer part of the Hospital Facilities for purposes of this Indenture upon compliance with the provisions of the Lease.

Section 12.3. Release of Hospital Facilities Equipment. Reference is made to the provisions of the Lease, including without limitation Section 5.2 thereof, whereby the Authority and Lessee have reserved the right to withdraw from the Hospital Facilities certain included items of furnishings, equipment or related property. The Trustee shall, at the request of the Authority or the Lessee, certify that any such furnishings, equipment or related property are free from any provision of this Indenture upon compliance with the provisions of the Lease.

In the event any removal of furnishings, equipment or related property under this Section 12.3 causes damage to existing buildings or structures, the Hospital shall restore or cause to be restored the same or repair such damage at its sole expense.

The removal from the Hospital Facilities of any portion of the furnishings, equipment or related property included therein pursuant to the provisions of this Section 12.3 shall not cause any abatement or diminution of the amounts payable under this Indenture or the Lease. The Authority will not permit the removal of any of the furnishings, equipment or related property included in the Hospital Facilities except in accordance with the provisions of this Section 12.3.

Section 12.4. Release of Portions of the 1977 Project, the 1991 Project and the 1994 Project Land. Reference is made to the provisions of the Lease, including without

limitation Section 7.6 thereof, whereby the Authority may grant or release unimproved portions of the Hospital Facilities land and certain easements, licenses, rights-of-way and other rights or privileges in the nature of easements with respect to the Hospital Facilities.

The Trustee shall, upon request of the Authority or the Lessee, certify that the portions of unimproved Hospital Facilities land easements, licenses, rights-of-way, rights or privileges so granted or released pursuant to Section 7.6 of the Lease or of this Section 12.4 are no longer part of the Hospital Facilities for purposes of this Indenture upon compliance with the requirements of the Lease.

If the Lease should be canceled or terminated, then unless the Authority shall have otherwise restricted its rights, the Authority has the rights, at any time and from time to time, to amend this Indenture for the purpose of effecting the release of and removal from this Indenture and the lien created hereby of (i) any unimproved part of the Hospital Facilities land (on which none of the Hospital Facilities are situated), or (ii) any part of the Hospital Facilities land with respect to which the Authority proposes to grant an easement or convey fee title to a public utility or public body in order that utility services or roads may be provided for the Hospital Facilities; provided, that if at the time any such amendment is made, any of the Bonds are Outstanding and unpaid, such amendment shall not be effective until and unless there are deposited with the Trustee the following:

- (1) Copies of the amendments to this Indenture as executed.
- (2) Resolution of the Authority (i) stating that Authority is not in default under any of the provisions of this Indenture or the Loan Agreement, (ii) giving an adequate legal description of that portion of the Hospital Facilities land to be released, (iii) stating the purpose for which the release is desired, (iv) stating that the improvements, if any, to be constructed pursuant to clause (ii) above, upon that portion of the Hospital Facilities land to be released, will be of direct or indirect benefit to the Hospital Facilities, (v) requesting such release and (vi) approving such amendments to this Indenture.
- (3) If applicable, a copy of the instrument granting the easement or conveying the title to a public utility or public body.
- (4) A certificate of an independent engineer, acceptable to the Trustee, dated not more than sixty (60) days prior to the date of the release and stating that, in his opinion, (i) the portion of the Hospital Facilities land so proposed to be released is necessary or desirable in order to obtain utility services or roads to benefit the Hospital Facilities or is not otherwise needed for the operation of the Hospital Facilities, and (ii) the release so proposed to be made will not impair the usefulness of the Hospital Facilities and will not destroy the means of ingress thereto and egress therefrom.

If the Lease should be canceled or terminated, then unless the Authority shall have otherwise restricted its rights, the Authority has the right to grant easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to the Hospital Facilities land, or may release existing easements, licenses, rights-of-way and other rights or privileges with or without consideration, and to execute and deliver any instrument necessary or appropriate thereto upon receipt by the Trustee of: (a) a copy of the instrument of grant or release; (b) a written application requesting such instrument; and (c) a certificate of an independent engineer acceptable to the Trustee that in his opinion (i) such grant or release is not detrimental to the proper conduct of the operations of the Hospital Facilities, and (ii) such grant or release will not impair the character of the Hospital Facilities.

Section 12.5. Option to Purchase and Delivery of Loan Agreement. Reference is made to the provisions of the Lease, including without limitation Sections 10.4 and 10.5 thereof, whereby, upon the full discharge or defeasance of the 1977 Bonds, the Lessee has the option to purchase the Hospital Facilities upon an exercise of such option in the manner set forth in Section 10.3 of the Lease, payment of \$100 to the Authority, a written request that the Trustee deliver the Loan Agreement held in escrow by the Trustee and executed simultaneously with the issuance and delivery of the 1994 Bonds, delivery to the Trustee of an opinion of Bond Counsel that substitution of the Loan Agreement will not adversely affect the tax-exempt status of the Bonds and opinions of counsel to the Authority and the Lessee that the Loan Agreement was duly executed and will, when delivered, be the valid and binding obligation of the parties thereto enforceable in accordance with its terms.

The Trustee hereby agrees to hold the Loan Agreement in escrow until the conditions for substitution set forth in Sections 10.3, 10.4 and 10.5 of the Lease have been fulfilled. Upon satisfaction of such conditions, the Trustee shall deliver the Loan Agreement held in escrow.

ARTICLE XIII

Defeasance

Section 13.1. Release of Indenture.

(a) Prior to Discharge of 1977 Bonds. Prior to the discharge of the 1977 Bonds, when all of the Bonds and coupons, if any, appertaining thereto shall have been paid and discharged, and there shall have been paid all fees and charges of the Trustee and any Paying Agents due or to become due through the date on which the last of the Bonds is retired, then this Indenture shall cease, terminate and become null and void, and thereupon the Trustee shall release this Indenture including the cancellation and discharge of the lien hereof. The Trustee shall execute and deliver to the Authority such instruments in writing

as shall be requisite to satisfy the lien hereof and to enter on the records such satisfaction and discharge and to re-convey to the Authority any interests or other rights hereby conveyed and assigned and such other instruments to evidence such release and discharge as may be reasonably required by the Authority. The Trustee and Paying Agents shall assign and deliver to the Authority any property at the time subject to the lien of this Indenture which may then be in its possession, except amounts in any Special Fund or the Rebate Fund otherwise required to be paid by this Indenture and except such cash and investments as are held by the Trustee and Paying Agents for the payment of interest and premium, if any, on the retirement of the Bonds.

(b) After Discharge of 1977 Bonds.

(1) After the discharge of the 1977 Bonds when principal or redemption price (as the case may be) of, and interest on, all Bonds issued hereunder have been paid, or provision has been made for payment of the same, together with the compensation of the Trustee and all other sums payable hereunder by the Authority, the right, title and interest of the Trustee shall thereupon cease and the Trustee, on demand of the Authority, shall release this Indenture, the Lease and the Loan Agreement and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such person, body or authority as may be entitled to receive the same all balances then held by it hereunder. If payment or provision therefor is made with respect to less than all of the Bonds, the particular Bonds (or portion thereof) for which provision for payment shall have been considered made shall be selected by lot by the Trustee, and thereupon the Trustee shall take similar action for the release of this Indenture with respect to such Bonds.

(2) Provision for the payment of Bonds shall be deemed to have been made when the Trustee holds in the Bond Principal Fund or Bond Interest Fund (1) cash in an amount sufficient to make all payments specified above with respect to the Bonds to be no longer entitled to the lien of this Indenture, or (2) noncallable, direct obligations issued by the United States of America, maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all such payments, or (3) any combination of such cash and such obligations the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all such payments.

(3) Neither the obligations nor the moneys deposited with the Trustee pursuant to this Section 13.1(b) shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, said Bonds or portions thereof, or for the payment of the purchase price of said Bonds in accordance with Article IV hereof.

(4) Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of Bonds more than 60 days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Bonds for the payment of which such moneys or obligations are being held, to all registered Owners of Bonds for the payment of which such moneys or obligations are being held.

Section 13.2. Payment of Bonds and Coupons Prior to Discharge of 1977 Bonds. Prior to the discharge of the 1977 Bonds (hereafter, the provisions of Section 13.1(b) shall apply), Bonds and any coupons appertaining thereto shall be deemed to have been paid and discharged within the meaning of Section 13.1 as set forth below:

(1) If the Trustee, and any Paying Agent shall hold, in trust for and irrevocably committed thereto, sufficient moneys, or

(2) If the Trustee shall hold, in trust for and irrevocably committed thereto, direct obligations of the United States of America or such other Eligible Investments as are designated in Section 7.1 hereof, certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient together with any moneys as referred to in subsection (1) above, for the payment at their maturity or redemption date, of the principal thereof and interest accrued to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly made or provision made for the giving of such notice. Any moneys held in accordance with the provisions of this Section 13.2 shall be invested, upon written direction of the Authority or Hospital, only in direct obligations of the United States of America or other Eligible Investments as are defined in Section 7.1, the maturities or redemption dates of which, at the option of the holder, shall coincide as nearly as practicable with, but not later than, the time or times at which paid moneys will be required for the aforesaid purposes. Any income or interest earned by, or increment to, the investment held under this Section 13.2 shall, to the extent not required for the purposes of this Section 13.2, be transferred to the Special Funds.

The cash and government obligations referred to in this Section 13.2 shall constitute Eligible Funds.

ARTICLE XIV

Notice, Default and Remedies

Section 14.1. Events of Default. If any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(1) Default in the payment of any interest on any Bond when and as the same shall have become due;

(2) Default in the payment of the principal of any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration or call for redemption;

(3) Failure to insure the Hospital Facilities as required by this Indenture;

(4) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority included in this Indenture or in the Bonds and the continuance thereof for a period of sixty (60) days after written notice to the Authority and the Hospital given by the Trustee or the holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; or

(5) The Authority shall be ejected from the Hospital Facilities and the use and occupancy thereof by reason of a defect in its title to the Hospital Facilities.

The term "default" shall mean default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

If an Event of Default shall occur under the provisions of this Section 14.1, the Trustee shall, within five (5) days after having knowledge of such default, give written notice of such default to the Authority, the Hospital, and the Bondholders as provided in Section 15.3 hereof.

Section 14.2. Acceleration. Subject to Section 14.12 hereof, upon the occurrence of any Event of Default as defined in Subsections 14.1(1) or (2) of the Indenture, the Trustee shall, and upon the occurrence of any Event of Default as described in Subsections 14.1(3), (4) or (5) hereof, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall, by notice in writing delivered to the Authority, with copies to the Hospital, declare the principal of all Bonds then Outstanding and the interest accrued

thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

The provisions of this Section 14.2 are subject, however, to the condition that if, at any time after the principal of and interest accrued on the Bonds shall have been so declared due and payable and before a receiver shall have been appointed and his appointment confirmed after an opportunity for hearing of the Authority and the Hospital all sums payable hereunder except the principal of the Bonds which have not reached their maturity dates or have not been called for redemption pursuant to the Bond Resolution or this Indenture shall have been duly paid and all existing defaults shall have been made good, then and in every such case such payment shall constitute a waiver of such default and its consequences and an automatic rescission and annulment of such declaration, but no such waiver shall extend to or affect any subsequent default or impair any rights consequent thereon.

Section 14.3. Surrender of Possession of Hospital Facilities; Rights and Duties of Trustee in Possession. Subject to Section 14.12 hereof, to the extent permitted by law, upon the occurrence of an Event of Default, the Authority, upon demand of the Trustee shall forthwith surrender the possession of the Hospital Facilities to the Trustee. It shall be lawful, subject to the Hospital's rights under the Lease or any subsequent lease or other instrument providing for operation of the Hospital Facilities, if the Hospital is not in default, to the extent permitted by law, for the Trustee to take possession of all or any part of the Hospital Facilities, together with the books, papers and accounts of the Authority pertaining thereto, and including the rights and the position of the Authority under the Lease or any subsequent lease or other instrument providing for operation of the Hospital Facilities, and, to the extent permitted by law, to hold, operate and manage the same, and from time to time to make all needful repairs and improvements as by the Trustee shall be deemed wise. The Trustee may, subject to the Lease or any subsequent lease or other instrument providing for operation of the Hospital Facilities, lease or operate the Hospital Facilities or any part thereof in the name and for the account of the Authority and collect, receive and sequester the rents, revenues and other income, charges and moneys, therefrom, and out of the same and any moneys received from any receiver or any part thereof pay, and/or set up proper reserves for the payment of, all property costs and expenses of so taking, holding, operating and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions of this Indenture. Whenever all that is due upon the Bonds shall have been paid and all defaults made good, the Trustee shall surrender possession to the Authority, its successors or assigns; the same right of entry, however, shall exist upon any subsequent Event of Default.

While in possession of such property the Trustee shall render annually to the Authority and the Hospital, and also to the Bondholders at their addresses shown on the registration books or otherwise known, a summarized statement of income and expenditures in connection therewith.

Upon the occurrence of any Event of Default, the Trustee may either after entry, or without entry, proceed by suit or suits at law or in equity to enforce payment of the Bonds then Outstanding hereunder and to foreclose this Indenture and sell the Hospital Facilities or any part thereof under the judgment or decree of a court of competent jurisdiction.

Section 14.4. Other Remedies; Rights of Bondholders. To the extent permitted by law, upon the occurrence of an Event of Default the Trustee may either after entry or without entry, pursue any available remedy (including any remedies available under the Lease and including any remedies available under the Loan Agreement if the Loan Agreement is then in effect) to enforce the payment of the principal of and premium, if any, and interest on the Bonds then Outstanding.

Subject to Section 14.12 hereof, if an Event of Default shall have occurred, and if requested so to do by the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding and indemnified as provided in Section 15.1 hereof, the Trustee shall be obligated to exercise any such remedy or the remedies conferred by Sections 14.3 and 14.6 as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Holders or Owners of the Bonds.

No remedy conferred upon or reserved to the Trustee, or to the Holders or Owners of the Bonds, is intended to be exclusive of any other remedy, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Holders or Owners of the Bonds hereunder or now or hereafter existing.

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 of any such default or Event of Default or acquiescence therein; and, to the extent permitted by law, every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holders or Owners of the Bonds, shall affect any subsequent default or event of default or shall impair any rights or remedies consequent thereon.

Section 14.5. Right of Bondholders to Direct Proceedings. Subject to Section 14.12 hereof and upon the Trustee being indemnified as provided in Section 15.1 hereof, anything in this Indenture to the contrary notwithstanding, the Holders of a majority in

aggregate principal amount of Bonds then outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

Section 14.6. Appointment of Receiver. Subject to Section 14.12 hereof upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceeding to enforce the rights of the Trustee and of the Holders or Owners of Outstanding Bonds under this Indenture, the Trustee shall be entitled to the appointment of a receiver or receivers of the Hospital Facilities in accordance with State law and of the rental, revenues and other income, charges and moneys therefrom, pending such proceedings, with such power as the court making such appointment shall confer.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Authority, nor the Hospital, nor anyone claiming through or under either of them, shall set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture. But the Authority, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of appraisal and redemption to which it may be entitled.

Section 14.7. Application of Moneys. Subject to Section 14.12 hereof, upon obtaining the consent of two-thirds (2/3) of the Holders of the Outstanding Bonds, the Trustee may in its discretion apply any moneys received by Trustee pursuant to any right given or action taken hereunder toward the operational expenses of the Hospital prior to the application of such moneys as provided below. Subject to the preceding sentence, all moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings, resulting in the collection of such moneys and of the expenses, liabilities and advances incurred by the Trustee, be deposited and applied as follows:

A. Unless the principal of all the Bonds shall have become or have been declared due and payable,

(1) All such moneys shall be deposited in the Bond Interest Fund and applied to the payment of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installments, then to the payment ratably, according to the amounts due on such installment, to the persons entitled hereto, without any discrimination or privilege;

(2) Any moneys remaining unexpended shall be deposited in the Bond Principal Fund and applied to the payment of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of this Indenture), with interest on such Bonds from the respective dates upon which they became due, and if the amount available shall not be sufficient to pay in full all Bonds due together with such interest, then to the payment ratably, according to the amount of principal due to the persons entitled thereto without any discrimination or privilege.

B. If the principal of all the Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

C. If the principal of all the Bonds shall be due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of Sections 14.2 or 14.11 then (subject to the provisions of subsection B of this Section, in the event that the principal of all the Bonds shall later become due or be declared due and payable) the moneys shall be applied in accordance with the provisions of subsection A of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section 14.7, such moneys shall be applied at such times and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and, upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid coupon or any Bond until such coupon or such Bond and all unmatured coupons, if any, appertaining to such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section 14.7 and all expenses and charges of the Trustee and Paying Agents have been paid, any balance remaining in the Bond Principal Fund shall be paid into the other Special Funds to make up any deficiency existing in any such funds under the terms of this

Indenture, or if all Bonds and coupons appertaining thereto shall be deemed to have been paid and discharged under this Indenture, then shall be paid to the GRO Fund, provided that prior to such payment the Hospital provides to the Trustee and the Authority an Approval of Bond Counsel with respect thereto.

Section 14.8. Remedies Vested in Trustee. All rights of action under this Indenture or under any of the Bonds or coupons may be enforced by the Trustee without the possession of any of the Bonds or coupons or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall be for the ratable benefit of the Holders of the Outstanding Bonds and coupons.

Section 14.9. Rights and Remedies of Bondholders. No Holder of any Bond or coupon shall have any right to institute any suit, action or proceeding for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder, unless each of the following shall have occurred; (i) a default has occurred of which the Trustee has been notified as provided in subsection (g) of Section 15.1, or of which by said subsection it is deemed to have notice; (ii) such default shall have become an Event of Default; (iii) the Holders of twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity to institute such action, suit or proceeding in its own name, have further offered to the Trustee indemnity as provided in Section 15.1; (iv) the Trustee shall thereafter fail or refuse to exercise the powers herein granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Holders of the bonds or coupons shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided and that proceedings shall be instituted, had and maintained in the manner herein provided and for the ratable benefit of the Holders and Owners of all Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the obligation of the Authority to pay the principal of, premium, if any, and interest on each of the Bonds issued hereunder to the respective Holders thereof at the time, place, from the source and in the manner in said Bonds and the appurtenant coupons expressed.

Section 14.10. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver, by

entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, to the extent permitted by law, the Authority and the Trustee shall be restored to their former positions and rights hereunder with respect to the property herein conveyed, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 14.11. Waivers of Events of Default. Subject to Section 14.12 hereof, the Trustee may in its discretion waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal, and shall do so upon the written request of the Holders of one-half ($\frac{1}{2}$) in aggregate principal amount of all the Bonds then Outstanding in respect of which default in the payment of principal and/or interest exists; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Bonds unless prior to such waiver or rescission, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee, in connection with such default, waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extent to any subsequent or other default, or impair any right consequent thereon.

Section 14.12. Majority Override of Prior Minority Direction of Remedial Proceedings by the Bondholders. Anything in this Indenture to the contrary notwithstanding, the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall be authorized and empowered and have the right by an instrument or concurrent instruments in writing delivered to the Trustee to rescind the prior direction of less than a majority in principal amount of the Bonds at the time Outstanding, except that such majority may not override or rescind a prior written request of the Holders of twenty-five percent (25%) or more of the Bonds to accelerate the principal and interest on the Bonds pursuant to Section 14.2 hereof.

ARTICLE XV

The Trustee

Section 15.1. Trustee's Acceptance and Responsibilities. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts as an ordinarily prudent trustee under a trust agreement, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney, approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(b) Except for its certificate of authentication on the Bonds, to the extent permitted by law, the Trustee shall not be responsible: (i) for any recital herein or in the Bonds, (ii) for the validity, priority, recording or re-recording, filing or refiling of this Indenture or the Lease or any subsequent lease or other instrument providing for operation of the Hospital Facilities, or any financing statements, amendments thereto or continuation statements, (iii) for insuring the 1977 Project, the 1991 Project or the 1994 Project or collecting any insurance moneys, (iv) for the validity of the execution by the Authority of this Indenture or of any supplements thereto or instruments of further assurance, (v) for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, or (vi) for the value or title of the Hospital Facilities or as to the maintenance of the security hereof, except that in the event the Trustee enters into possession of a part or all of the Hospital Facilities pursuant to any provision of this Indenture, it shall use due diligence in preserving such property. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Authority or on the part of the Hospital under the Lease or any subsequent lease or other instrument under which the 1977 Project, the 1991 Project or the 1994 Project is operated, except as herein set forth; but the Trustee may require of the Authority or the Hospital full information and advice as to the performance of the covenants, conditions and agreements aforesaid as to the condition of the property herein conveyed. Except as otherwise provided herein, the Trustee shall have no obligation to perform any of the duties of the Authority as Lessor.

(c) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds and coupons secured hereby with the same rights which it would have if not Trustee.

(d) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document

believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bonds, shall, to the extent permitted by law, be conclusive and binding upon all future Owners of the same Bond and upon bonds issued in exchange therefor or in place thereof.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Authority by an authorized officer thereof as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (g) of this Section 15.1, or of which by said subsection it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may, to the extent permitted by law, accept a certificate of the official, or an assistant thereto, having custody of the appropriate records to the effect that legislation or other action in the form therein set forth has been enacted by the Authority or by the board of trustees or other governing body of the Hospital, as conclusive evidence that such legislation or other action has been adopted and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful default.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except Events of Default defined in subsections 14.1(1) and (2), unless the Trustee shall be specifically notified in writing of such default by the Authority or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding, and in the absence of such notice so delivered, the Trustee may, to the extent permitted by law, conclusively assume there is no default except as aforesaid.

(h) The Trustee shall not be personally liable for any debts contracted for or damages to persons or to personal property injured or damaged, or for salaries or non-fulfillment of contracts during any period in which it may be in the possession of or managing the real and tangible personal property as in this Indenture provided.

(i) At any time and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the

right fully to inspect any and all of the Hospital Facilities, including all books, papers and records of the Authority pertaining to the Hospital Facilities and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers and otherwise in respect of the premises unless under applicable law such bond or surety would be required of all indenture trustees.

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

(l) Before taking action under Article XIV hereof, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken; provided, however, the Trustee shall not require any such indemnity before taking action with respect to the following:

- (1) payment of the principal and interest on the Bonds when due;
- (2) acceleration of the principal and interest on the Bonds as and when required by this Indenture;
- (3) declaration of a redemption under this Indenture.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law or as otherwise provided herein. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) The Trustee shall not be liable for any action taken or omitted to be taken by it in good faith, nor shall it be liable for any act, default, neglect or misconduct of any of the agents or employees appointed or employed by the Trustee in connection with the execution of the Trustee's duties under this Indenture, if such agents or employees shall have been selected with reasonable care.

(o) The Trustee may, at any time, permit any Bondholder to inspect any document filed with the Trustee under the terms of this Indenture.

Section 15.2. Fees, Charges and Expenses of Trustee and Paying Agents. The Trustee shall be entitled to payment and/or reimbursement for reasonable fees for its Ordinary Services rendered hereunder and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and, if the Trustee is required to perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor. The Trustee and any Paying Agent shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee, as Paying Agent, and any Paying Agent for the Bonds and coupons as hereinabove provided.

Section 15.3. Notice to Bondholders if Default Occurs. If default occurs of which the Trustee is by subsection (g) of Section 15.1 hereof required to take notice or if notice of default be given as in said subsection (g) provided, then the Trustee shall give written notice thereof by first class, postage prepaid mail to the last known Holders of all Bonds then Outstanding as shown by the list of Bondholders kept at the office of the Trustee and by the registration books maintained by the Trustee.

Section 15.4. Intervention by Trustee. In any judicial proceeding to which the Authority or the Hospital is a party and which in the opinion of the Trustee and its attorney has a substantial bearing on the interests of Holders of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the Holders of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding and upon the Trustee being provided with indemnification as provided in Section 15.1 hereof. The right and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

Section 15.5. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its assets and trust business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the rights and duties of the Trustee, without the execution or filing of any instrument or any further act on the part of any of the parties hereto.

Section 15.6. Resignation By the Trustee. The Trustee may at any time resign from the trust hereby created by giving sixty (60) days written notice to the Authority and to

the Hospital and to each Holder of Bonds then Outstanding as shown on the registration books maintained by the Trustee and by the list of Bondholders required to be kept by the Trustee, and such resignation shall take effect at the appointment of a successor Trustee by the Bondholders or by the Authority and acceptance by the successor Trustee of such trusts.

Section 15.7. Removal of the Trustee. The Trustee may be removed at any time, by an instrument or concurrent instrument in writing delivered by the Trustee to the Authority and to the Hospital and signed by or on behalf of the Holder or Holders of not less than one-half ($\frac{1}{2}$) in aggregate principal amount of Bonds then Outstanding; provided that such removal will only take effect upon the appointment of a successor Trustee and the acceptance by the successor Trustee of such trust.

Section 15.8. Appointment of Successor Trustee By the Bondholders. In case the Trustee shall resign or be removed, or be dissolved, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor shall be appointed by the Authority; provided that if a successor Trustee is not so appointed within ten (10) days after the notice of resignation is mailed or instrument of removal is delivered as provided in Section 15.6 and 15.7, respectively, or the Trustee is dissolved, taken under control or otherwise incapable of action as above-provided, then the Holders of a majority in aggregate principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by or on behalf of such Holders may designate a successor Trustee. Every such successor Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing, duly authorized to exercise trust powers within the State of Oregon, having reported total assets of not less than \$10,000,000 and willing to accept the trusteeship under the terms and conditions of this Indenture.

Section 15.9. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act shall become fully vested with all the rights and duties of its predecessor; but such predecessor shall, nevertheless, on the written request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder, and shall duly assign, transfer and deliver all property, securities and moneys held by it as Trustee to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 15.10. Right of Trustee to Pay Taxes and Other Charges. In case any tax, assessment or governmental or other charge upon any part of the Hospital Facilities, or any premium required for maintenance of the insurance required hereunder, is not paid as required herein, the Trustee may pay such tax, assessment or governmental or other charge or premium, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure. Any amount at any time so paid under this Section, with interest thereon from the date of payment at the Interest Rate for Advances, shall become so much additional indebtedness secured by this Indenture, and the same shall be given a preference in payment over any of the Bonds, and shall be paid out of the Special Funds if not otherwise caused to be paid. The Trustee shall be obligated to make any such payment if it shall have been requested to do so by the Holders of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding and shall have been provided with adequate funds for the purpose of such payment.

Section 15.11. Trustee Protected in Relying Upon Legislation and Instruments. The legislation, opinions, certificates and other instruments provided for in this Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and, to the extent permitted by law, shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

Section 15.12. Successor Trustee as Custodian of Special Funds, Bond Registrar and Paying Agent. In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be custodian of any Special Funds, moneys, or investments it may hold pursuant to this Indenture or any Supplemental Trust Indenture, and cease to be Bond Registrar and Paying Agent for principal, any premium of and interest on the Bonds and the successor Trustee shall become such custodian, Bond Registrar and Paying Agent.

Section 15.13. Adoption of Authentication. In case any of the Bonds contemplated to be issued hereunder shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of the predecessor Trustee and deliver the Bonds so authenticated as herein provided. In case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds either in the name of any predecessor or in its own name. In all such cases, such certificate of authentication shall have the same force and effect as provided in the Bonds and in this Indenture with respect to the certificate of authentication of the Trustee.

Section 15.14. Designation and Succession of Paying Agents. The Trustee is designated as Paying Agent hereunder and shall perform such functions on the dates and at the time otherwise set forth herein.

Any bank or trust company with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall

be deemed the successor of such Paying Agent for the purposes of this Indenture. If the position of Paying Agent shall become vacant for any reason, the Authority shall, within thirty (30) days thereafter, appoint a bank or trust company located in the same city as such Paying Agent to fill such vacancy; provided, however, that if the Authority shall fail to appoint such Paying Agent within said period, the Trustee shall make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in Section 15.1 with respect to the Trustee.

ARTICLE XVI

Amendments and Supplements

Section 16.1. Supplemental Trust Indentures Not Requiring Consent of Bondholders. The Authority and the Trustee may with an Approval of Bond Counsel but without the consent of, or notice to, any of the Bondholders, enter into indentures supplemental to this Indenture and other instruments evidencing the existence of a lien as shall not be inconsistent with the terms and provisions hereof for any of the following purposes:

(a) To cure any ambiguity, inconsistency or formal defect or omission in this Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them;

(c) To subject to the lien and pledge of this Indenture additional revenues;

(d) To add to the covenants and agreements of the Authority contained in this Indenture other covenants and agreements hereafter to be observed for the protection of the Bondholders, or to surrender or limit any right, power or authority herein reserved to or conferred upon the Authority, including the limitation of rights of redemption so that in certain instances Bonds of different series will be redeemed in some prescribed ratio to one another;

(e) To evidence any succession to the Authority and the assumption by such successors of the covenants and agreement of the Authority contained herein and in the Bonds, the Lease or any subsequent lease or other instrument providing for operation of the Hospital Facilities;

(f) In connection with the issuance of Additional Bonds in accordance with Article VIII hereof;

(g) [Reserved];

(h) For any purpose not inconsistent with the terms hereof or to cure any ambiguity or to correct or supplement any provision contained herein or in any Supplemental Trust Indenture which may be defective or inconsistent with any other provision contained herein or in any Supplemental Trust Indenture;

(i) Make such other provisions in regard to matters or questions arising hereunder which shall not be inconsistent with the provisions hereof and which shall not adversely affect the interests of the holders of the Bonds; or

(j) In connection with the substitution of the Loan Agreement for the Lease as provided in Section 10.4 of the Lease.

Section 16.2. Supplemental Trust Indentures Requiring Consent of Bondholders. Exclusive of Supplemental Trust Indentures covered by Section 16.1 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such other indenture or indentures by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any Supplemental Trust Indenture. Provided, however, that the Holders of all Bonds to be affected must consent to any provision permitting (a) an extension of the maturity of the principal of or the interest on any Bond; (b) a reduction of the rate of interest or redemption premium of any Bond; and (c) a reduction in amount of or, extension of time for, any mandatory redemption of any Bonds. Provided further, that the consent of the Holders of all Outstanding Bonds is required for any change in the privileges or priorities of any Bonds or the creation of such privileges or priorities or any reduction in the aggregate principal amount of Bonds required for consent to any Supplemental Trust Indenture.

If at any time the Authority shall request the Trustee to enter into any such Supplemental Trust Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of such Supplemental Trust Indenture to be published in the manner required for redemption notices. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Indenture and shall state that copies thereof are on file at the corporate trust office of the Trustee for inspection by all Bondholders. If within sixty (60) days or such longer period as shall be prescribed by the Authority following the final publication of such notice, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Trust Indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond or coupon shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or to enjoin

or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental Trust Indenture as in this Section permitted, and provided, this Indenture shall be and is deemed to be modified and amended in accordance therewith. If, because of temporary or permanent suspension of publication or general circulation of the specified newspapers or financial journals or for any other reason it is impossible or impractical to publish such notice in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of notice.

Anything herein to the contrary notwithstanding, a Supplemental Trust Indenture under this Article XVI which affects any rights of the Hospital, shall not become effective unless and until the Hospital shall have consented to the execution and delivery of such Supplemental Trust Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Trust Indenture together with a copy of the proposed Supplemental Trust Indenture to be given to the Hospital not later than five (5) days after the first publication of the notice of the proposed execution of the Supplemental Trust Indenture.

Section 16.3. Amendments to Lease or Loan Agreement Not Requiring Consent of Bondholders. Notwithstanding anything in Section 16.4 hereof to the contrary, the Authority and the Trustee shall without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease or Loan Agreement or any subsequent lease or other instrument pursuant to which the Hospital Facilities are operated as may be required (i) by the provisions of the Lease, the Loan Agreement and this Indenture, (ii) in connection with the issuance of Additional Bonds, (iii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission, (iv) in connection with additional real estate or interest therein which pursuant to the Lease is to become part of the Hospital Facilities, (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the holders of the Bonds, or (vi) to make such other provisions in regard to matters or questions arising under the Lease or the Loan Agreement which shall not be inconsistent with the provisions of the Lease or the Loan Agreement and which, in the judgment of the Trustee, will not materially adversely affect the interest of Bondholders.

Section 16.4. Amendments to Lease, Loan Agreement or Instrument Pursuant to Which the Hospital Facilities are Operated Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 16.3 hereof, neither the Authority nor the Trustee shall consent to any amendment, change or modification which would change the Rental Amounts under the Lease or the Loan Agreement or payments under any subsequent lease or other instrument pursuant to which the Hospital Facilities are operated without publication of notice and the written unanimous consent of the holders of all of the Outstanding Bonds, or to any other amendment, change or modification of the Lease or the Loan Agreement or any subsequent lease or instrument

pursuant to which the Hospital Facilities are operated without publication of notice and the written approval or consent of the Holders of not less than two-thirds (2/3) in aggregate principal amount of the then Outstanding Bonds. Notice and consent shall be given and procured as provided in Section 16.2. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

Section 16.5. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join with the Authority in the execution and delivery of any Supplemental Trust Indenture or amendment permitted by this Article XVI and in so doing shall be fully protected by an opinion of Counsel that such Supplemental Trust Indenture or amendment is so permitted and has been duly authorized by the Authority and that all things necessary to make it a valid and binding agreement have been done.

Section 16.6. Notice to Rating Agencies. The Trustee shall mail a notice of any amendment, expiration, termination or supplement to this Indenture, the Lease, the Loan Agreement or the Guaranty Agreement to the rating agency then maintaining a rating on the Bonds, if any.

ARTICLE XVII

Insurance and Condemnation

Section 17.1. Damage and Destruction. If, prior to discharge of all 1977 Bonds, the Hospital Facilities shall be damaged or destroyed by fire, flood, windstorm or other casualty, there shall be no abatement or reduction in any Rental Amounts or other payments payable by the Hospital under the Lease or the Loan Agreement or the Authority under this Indenture.

If the amount of the loss is less than the Direct Payment Limit:

1. The Authority and the Hospital will promptly cause the repair or restoration of the Hospital Facilities (including modifications of or substitutions for the property damaged);
2. The Net Proceeds of Insurance resulting from claims for such loss shall be paid to the Hospital and expended for the direct and indirect costs of repair or restoration; and
3. The Authority and the Hospital shall notify the Trustee and the Insurer of actions taken.

If the amount of the loss exceeds the Direct Payment Limit, the Hospital shall immediately notify the Trustee of the loss. All Net Proceeds of Insurance shall be paid to and held by the Trustee in a special insurance loss account (the funds in which shall be invested by the Trustee at the request of the Hospital only in Eligible Investments). As soon as possible after the loss, and, in any case, within forty-five (45) days after notice from the Trustee, the Hospital shall prepare and submit to the Trustee a plan for the repair or restoration of the Hospital Facilities, including a certificate of the Authorized Officer as to the estimated costs thereof, and source of funds therefor. Within forty-five (45) days after the receipt of such plan and certificate, the Trustee may determine that the plan is not economically feasible as described in Section 3.1(a)(2) or (b)(2) of this Indenture and in such case may refuse to consent to the plan. Except in such case, the Trustee shall disburse the Net Proceeds of Insurance, in installments or on completion, as required to accomplish the plan. The Hospital shall pay all costs of repair in excess of the Net Proceeds of Insurance, without reimbursement and without reduction or postponement of Rental Amounts.

Any balance in the insurance loss account upon completion of repair or restoration, or following a decision not to repair, shall be allocated among the series of Bonds then Outstanding on a pro rata basis and used to redeem the Bonds as provided in Section 3.1(a)(2) or (b)(2) of this Indenture. If any excess funds remain after redemption of all Bonds, the excess shall be paid to the Hospital.

Section 17.2. Eminent Domain. If, prior to defeasance, all or any portion of the Hospital Facilities shall be taken by eminent domain, and unless the Authority shall have exercised its option to call the Bonds for redemption, there shall be no abatement or reduction in any amounts payable pursuant to this Indenture or any Rental Amounts or other charges payable by the Hospital under the Lease or the Loan Agreement or the Authority under this Indenture.

If the amount of the taking exceeds the Direct Payment Limit, the Net Proceeds of the condemnation award shall be paid to and held by the Trustee in a special condemnation award account (the funds in which shall be invested by the Trustee at the request of the Hospital only in Eligible Investments). As soon as possible after the taking, and, in any case, within forty-five (45) days after notice from the Trustee, the Hospital shall prepare and submit to the Trustee a plan, including a certificate of the Authorized Officer as to the costs of and sources of funds for, one of the following:

- (1) The restoration of the Hospital Facilities to substantially their prior condition;
- (2) The acquisition, by construction or otherwise, of new facilities or properties for use as Hospital Facilities (which new facilities or properties shall, upon acquisition, become subject to this Indenture); or

(3) Redemption of all or a portion of the Bonds.

Within forth-five (45) days after the receipt of such plan and certificate, the Trustee may determine that the plan is not economically feasible as described in Section 3.1(a)(2) or (b)(2) of this Indenture and in such case may refuse to consent to the plan. Except in such case, the Trustee shall disburse the Net Proceeds, in installments or in a lump sum, to accomplish the plan. The Hospital shall pay any costs of repair in excess of the Net Proceeds, without reimbursement and without reduction or postponement of Rental Amounts under the Lease or Loan Payments under the Loan Agreement, as appropriate. Any unexpended portion of Net Proceeds shall be allocated among the series of Bonds then Outstanding on a pro rata basis and be used to redeem the Bonds as described in Section 3.1(a)(2) or (b)(2) of this Indenture. If any excess funds remain after redemption of all Bonds, the excess shall be paid to the Hospital.

Section 17.3. Condemnation of Hospital-Owned Property. Subject to the terms of this Indenture, the Hospital shall be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or taking of its own property or interests.

ARTICLE XVIII

Miscellaneous

Section 18.1. Consents of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and, to the extent permitted by law, shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgements within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of the holding by any person of Bonds or coupons transferable by delivery and the amounts and number of such Bonds, and the date of the holding of the same, may be proved by a certificate executed by any trust company, bank or banker, wherever situated, stating that at the date thereof the party named

therein did exhibit to an officer of such trust company or bank or to such banker, as the property of such party, the Bonds or coupons therein mentioned, if such certificate shall be deemed by the Trustee to be satisfactory. The Trustee may, in its discretion, require evidence that such Bonds have been deposited with a bank, banker or trust company, before taking any action based on such ownership.

In lieu of the foregoing the Trustee may accept other proofs of the foregoing as it shall deem appropriate. For all purposes of this Indenture and of the proceedings for the enforcement hereof, such person shall be deemed to continue to be the Holder of such Bond until the Trustee shall have received notice in writing to the contrary. The fact of ownership of Bonds registered as to principal shall be proved by the registration books maintained by the Bond Registrar.

Section 18.2. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give any person other than the parties hereto, the Hospital and the Holders of the Bonds and coupons thereto, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto, the Hospital and the Holders of the Bonds and coupons as herein provided.

Section 18.3. Severability. The provisions of this Section 18.3 are effective only to the extent permitted by law. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution, or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 18.4. Notices to Trustee, Hospital and Authority. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Authority, 500 Klamath Avenue, Klamath Falls, Oregon 97601, Attention: Chairman; if to the Hospital, 2865 Daggett Street, Klamath Falls, Oregon 97601, Attention: Administrator; if to the Trustee, First Interstate Bank of Oregon, N.A., P. O. Box 2971, Portland, Oregon 97208, Attention: Corporate Trust Department. A duplicate copy of each

notice, certificate or other communication given hereunder by the Authority and the Trustee shall also be given to the Hospital. The Authority, the Hospital and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, or other communications shall be sent.

Section 18.5. Trustee as Paying Agent and Bond Registrar. The Trustee is hereby designated and agrees to act as a Paying Agent and Bond Registrar for and in respect to the Bonds.

Section 18.6. Payments Due on Sunday and Holidays. In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or a day on which the Trustee or any Paying Agent is authorized by law to close and is closed, then payment of interest or any premium and principal need not be made on such date but may be made on the next succeeding business day on which such banking institutions are open for business with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Section 18.7. Priority Over Other Liens. This Indenture is given in order to secure funds to pay for new acquisition, construction or reconstruction and by reason thereof it is intended that this Indenture shall be superior to any liens which may be placed upon the 1977 Project, the 1991 Project, the 1994 Project or the Construction Fund.

Section 18.8. Maintenance of Existence. Authority covenants that it will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

Section 18.9. Maintenance of Tax Exempt Status of Interest. Authority covenants that it will do or cause to be done all things possible and necessary to qualify the interest paid on the Bonds as exempt from federal income taxation in the hands of the recipient.

Section 18.10. Income Tax Status. Authority represents that it presently is, and covenants and agrees that it shall take all appropriate measures to assure that it remains, exempt from income taxes, under federal income tax laws and regulations thereunder of the Internal Revenue Service.

Section 18.11. Governmental Controls. Authority covenants and agrees that it shall, either jointly or separately, take or cause to be taken all action, if any, that may be required to obtain such consents, exceptions, exemptions or approvals of governmental authorities as may be necessary to permit full compliance with all covenants, stipulations, obligations and agreements of the Authority contained in this Indenture, the Lease, and the Loan Agreement.

Section 18.12. Insurance Required. Authority agrees to insure or cause to be insured the Hospital Facilities in an amount equal to the Required Property Insurance Coverage against loss or damage from fire or other events covered by uniform standard extended coverage endorsements, vandalism, malicious mischief, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles and smoke, by means of policies issued by reputable nationally recognized insurance companies duly qualified to do such business in the State of Oregon. Any such policy referred to in this Section may provide that the policy does not cover the first amount of loss which is equal to one-quarter ($\frac{1}{4}$) of one percent (1%) of the Required Property Insurance Coverage, with the result that such amount is self-insured.

As an alternative to the above, the Hospital Facilities may be insured under a blanket insurance policy or policies which cover not only such property but other properties.

Section 18.13. Additional Provisions Respecting Insurance. Prior to the discharge of the 1977 Bonds, any insurance policy issued pursuant to Section 18.12 hereof shall be so written or endorsed as to make losses, if any, payable to the Authority, the Hospital and the Trustee as their respective interests may appear with the Authority and the Trustee named as loss payees on all Required Property Insurance Coverage; provided, any such insurance policy may be so written or endorsed as to make losses not in excess of the Direct Payment Limit for each occurrence payable directly to the Hospital. Each insurance policy provided for in this Section shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the Trustee at least ten (10) days in advance of such cancellation, and there shall be delivered to the Trustee duplicate copies or certificates of insurance pertaining to each such policy of insurance required by this Section, and the Authority agrees to keep, or cause to be kept, such duplicate copies or certificates up to date.

Section 18.14. Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Sections 18.11 and 18.15 of this Indenture shall be applied as follows: (i) the Net Proceeds of the insurance required in Section 18.11 hereof shall be applied as provided in Section 17.1 of this Indenture hereof, and (ii) the Net Proceeds of the insurance required in Section 18.15 of this Indenture shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 18.15. Public Liability, Malpractice and Motor Vehicle Insurance. Prior to the discharge of the 1977 Bonds, the Authority and Hospital agree that they will carry or cause to be carried, with reference to the 1977 Project, the 1991 Project and the 1994 Project (i) public liability insurance covering bodily injury or death to persons in amounts equal to the Required Liability Insurance Coverage; (ii) use and occupancy insurance covering loss of revenues by reason of total or partial suspension of, or interruption in, the

operation of the Hospital Facilities caused by damage or destruction of the Hospital Facilities with such exceptions as are customarily in such insurance in amounts equal to at least the Required Use and Occupancy Insurance Coverage; (iii) malpractice insurance against death, injury, loss or damage occurring during examination, diagnosis, treatment or care of any patient or occupant of the Hospital Facilities in amounts at least equal to the Required Malpractice Insurance Coverage to the extent such policies are from time to time reasonably available, and in the event such policies are not reasonably available then such insurance or other provisions satisfactory to the Trustee that most nearly provide protection similar to that required in this clause (iii); and (iv) comprehensive motor vehicle liability insurance in amounts at least equal to the Required Motor Vehicle Insurance Coverage.

The insurance provided by this Section 18.15 may be by blanket insurance policy or policies.

Section 18.16. Workmen's Compensation Coverage. Hospital shall maintain workmen's compensation coverage required by the laws of the State, or cause the same to be maintained, for all persons employed in the operation of the Hospital Facilities.

Section 18.17. Hospital's Actions. Trustee agrees that for purposes of compliance with this Indenture, if the Hospital performs any of the activities, duties or obligations required to be performed by the Authority under this Indenture, then such performance shall satisfy the requirements of this Indenture.

Section 18.18. No Personal Recourse. Unless the law provides otherwise, no recourse shall be had for any claim based on this Indenture, the Bonds or Additional Bonds against any director, member, officer or employee, past, present or future, of the Authority or of any successor body as such, either directly or through the Authority or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

Section 18.19. Deposit of Funds for Payment of Bonds.

(a) If the principal or redemption price of any Bonds becoming due, either at maturity or by call for redemption or otherwise, together with all interest accruing thereon to the due date, has been paid or provision therefor made in accordance with Section 15.1, all interest on such Bonds shall cease to accrue on the due date and all liability of the Authority with respect to such Bonds thereto shall likewise cease, except as hereinafter provided. Thereafter, the Holders of such Bonds shall be restricted exclusively to the funds or securities so deposited for any claim of whatsoever nature with respect to such Bonds, and the Trustee shall hold such funds or securities in trust for such holders.

(b) Moneys so deposited with the Trustee which remain unclaimed for ten years prior to discharge of the 1977 Bonds, and, thereafter, for four years after the date payment thereof becomes due shall, at the request of the Authority if the Authority is not at the time to the knowledge of the Trustee in default with respect to any covenant in this Indenture or the Bonds, be paid to the Authority and the Holders of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Authority.

Section 18.20. No Rights Conferred on Others. Except as provided in Section 18.25 hereof, nothing herein contained shall confer any right upon any person other than the parties hereto and the registered Owners of the Bonds.

Section 18.21. Successors and Assigns. All the covenants of this Indenture contained by or on behalf of the Authority, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 18.22. Headings for Convenience Only. The descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 18.23. Information Under Uniform Commercial Code. The following information is stated in order to facilitate filings under the Uniform Commercial Code:

The secured party is First Interstate Bank of Oregon, N.A., Trustee. Its address from which information concerning the security interest may be obtained is First Interstate Bank of Oregon, N.A., P. O. Box 2971, Portland, Oregon 97208, Attention: Corporate Trust Department. The debtor is Klamath Falls Intercommunity Hospital Authority, 500 Klamath Avenue, Klamath Falls, Oregon 97601.

Section 18.24. Applicable Law. This Indenture shall be governed by and construed in accordance with the laws of the State of Oregon, including but not limited to the provisions of Oregon Revised Statutes Section 441.525.

Section 18.25. Repayment to Authority from Special Funds. Except as otherwise specifically provided herein, any amounts remaining in the Special Funds, after all of the Bonds shall have been deemed paid or discharged under the provisions of this Indenture and the fees charged and expenses of the Trustee shall have been paid, shall be paid to the Hospital.

Section 18.26. Conflict with Trust Indenture Act of 1939. If this Indenture is qualified under the Trust Indenture Act of 1939, as amended, and any provision of such act limits, qualifies or conflicts with another provision hereof which is required to be

included in this Indenture by any of the provisions of such act, such required provision shall control.

Section 18.27. Immunities and Limitation of Responsibilities of the Authority.
The provisions of this Section 18.27 are effective only to the extent permitted by law. The Authority may act upon the opinion or advice of its Counsel and shall be wholly protected as to any action taken or omitted in good faith in reliance upon such opinion or advice. The Authority may rely conclusively on any communication or other document furnished to it hereunder and reasonably believed by it to be genuine. The Authority shall not be liable for any action (a) taken by it in good faith and reasonably believed by it to be within its discretion or powers hereunder, or (b) in good faith omitted to be taken by it because such action was reasonably believed to be beyond its discretion or powers hereunder, or (c) taken by it pursuant to any direction or instruction by which it is governed hereunder, or (d) omitted to be taken by it by reason of the lack of any direction or instruction required hereby for such action; nor shall it be responsible for the consequences of any error of judgment reasonably made by it. The Authority shall in no event be liable for the application or misapplication of funds or for other acts of defaults by any person, except for the willful misconduct of its own members, officers, agents and employees. When any payment or consent or other action by the Authority is called for hereby, it may defer such action pending receipt of such evidence (if any) as it may require in support thereof. The Authority shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred thereby, other than liability for failure to meet the standards set forth in this Section 18.27. As provided herein and in the Lease and the Loan Agreement, the Authority shall be entitled to reimbursement for its expenses reasonably incurred or advances reasonably made in the exercise of its rights or the performance of its obligations hereunder, to the extent that it acts without previously obtaining indemnity. No permissive right or power to act which it may have shall be construed as a requirement to act; and no delay in the exercise of a right or power shall affect its subsequent exercise of that right or power.

Section 18.28. Binding Effect. This Indenture shall inure to the benefit of and shall be binding upon the Authority and the Trustee and their respective successors and assigns.

Section 18.29. Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed in its name and on its behalf by its authorized officers; and the Trustee, as evidence of its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its corporate name by its duly authorized officers, all as of the day and year first above written.

KLAMATH FALLS INTERCOMMUNITY
HOSPITAL AUTHORITY

By: Donald A. Boyd
Donald A. Boyd, Chair

By: Eleanor C. Ehlers
Eleanor C. Ehlers, Secretary

FIRST INTERSTATE BANK OF
OREGON, N.A., Trustee

By: A. Garrett
A. Garrett, Vice President

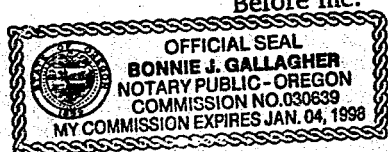
31042

STATE OF OREGON)
) ss.
County of Multnomah)

September 27, 1994

Personally appeared Donald A. Boyd, who being fully sworn, did say he is the Chair of Klamath Falls Intercommunity Hospital Authority a municipal corporation, and that the foregoing instrument was signed in behalf of the corporation by authority of its Board of Directors, and he acknowledged this instrument to be its voluntary act and deed.

Before me:



Bonnie J. Gallagher
Notary Public for Oregon
My Commission Expires: 1-4-98

89 - SECOND AMENDED AND RESTATED TRUST INDENTURE

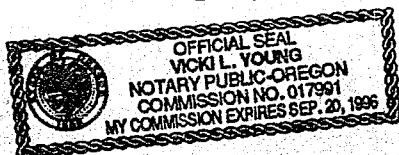
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STATE OF OREGON)
) ss.
County of Klamath)

Sept. 29, 1994

Personally appeared Eleanor C. Ehlers, who being fully sworn, did say she is the Secretary of Klamath Falls Intercommunity Hospital Authority a municipal corporation, and that the foregoing instrument was signed in behalf of the corporation by authority of its Board of Directors, and she acknowledged this instrument to be its voluntary act and deed.

Before me:



Vicki L. Young
Notary Public for Oregon
My Commission Expires: 9-20-96

STATE OF OREGON)
) ss.
County of Multnomah)

September 27 1994

Personally appeared A. Garrett, who being fully sworn, did say she is the Vice President of First Interstate Bank of Oregon, N.A., and that the foregoing instrument was signed in behalf of the corporation by authority of its Board of Directors, and she acknowledged this instrument to be its voluntary act and deed.

Before me:



Bonnie J. Gallagher
Notary Public for Oregon

My Commission Expires: 1-4-98

91 - SECOND AMENDED AND RESTATED TRUST INDENTURE

HOSPITAL FACILITIES DESCRIPTION

EXHIBIT "A"

DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon:

PARCEL 1: HOSPITAL

A:

A parcel of land situate in the SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at an iron pin marking the Northeast corner of said SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian; thence S. 0°46' W. along the East line of said SW $\frac{1}{4}$ NE $\frac{1}{4}$ a distance of 100.00 feet to a point; thence N. 89°21' W. a distance of 420.87 feet to a point; thence S. 20°39'40" W. a distance of 504.11 feet to a point on the Northerly line of Foothill Boulevard in the plat of McLoughlin Heights Subdivision; thence Westerly along said Northerly line to its intersection with the Northeasterly line of Daggett Avenue as shown on the plat of Re-subdivision of a portion of McLoughlin Heights; thence Northwesterly along the Northeasterly line of Daggett Avenue to an iron pin on the West line of said SW $\frac{1}{4}$ NE $\frac{1}{4}$; thence N. 0°51' E. along said West line a distance of 381.24 feet, more or less, to the Northwest corner of said SW $\frac{1}{4}$ NE $\frac{1}{4}$; thence S. 89°21' E. along the North line of said SW $\frac{1}{4}$ NE $\frac{1}{4}$ a distance of 1318.1 feet, more or less, to the point of beginning.

B:

Lots 1 thru 7 and Lots 16 thru 22 in Block 6 of McLoughlin Heights, according to the official plat thereof on file in the records of Klamath County, Oregon.

C:

A parcel of land situate in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a Brass cap monument marking the Northeast corner of said SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, which monument also marks the Northwest corner of McLoughlin Heights Subdivision, thence N. 89°10' W. along the North line of said SE $\frac{1}{4}$ NW $\frac{1}{4}$ a distance of 182.58 feet to a point on the Easterly line of Campus Drive; thence S. 2°38' W. along the Easterly line of Campus Drive to its intersection with the Northerly line of Daggett Avenue; thence East along the Northerly line of Daggett Avenue a distance of 191.34 feet, more or less, to the East line of said SE $\frac{1}{4}$ NW $\frac{1}{4}$; thence N. 0°51' E., along said East line a distance of 381.24 feet, more or less, to the point of beginning.

PARCEL 2: BUSINESS OFFICE

A parcel of land situated in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 E.W.M., Klamath County, Oregon, more particularly described as follows: Beginning at a 5/8 inch iron pin on the Easterly line of that parcel described in Volume M69 page 5894, Deed Records of Klamath County, Oregon, which point bears N. 0°51' E. a distance of 549.15 feet from the center one-quarter corner of said Section 20; thence N. 87°49' W. a distance of 85.0 feet; thence S. 0°51' W. a distance of 107.95 feet; thence S. 87°49' E. a distance of 85.0 feet, to the East line of said SE $\frac{1}{4}$ NW $\frac{1}{4}$; thence N. 0°51' E. along said East line a distance of 107.95 feet to the point of beginning.

PARCEL 3: CANCER CENTER

A portion of vacated and repartitioned Block 5 of Resubdivision of a portion of McLoughlin Heights, more particularly described as follows:

Beginning at a point on the Easterly boundary of relocated Uhrmann Road and the Westerly boundary of vacated and repartitioned Block 5 of Resubdivision of a portion of McLoughlin Heights from which the monument marking the center quarter section corner of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, bears N. 82°01' W. 60.47 feet and S. 0°51' W. 674.8 feet distant and the Northwest corner of said Block 5 bears N. 0°51' E. 170.5 feet distant; thence S. 82°01' E. 174.7 feet to a point on the easterly boundary of said Block 5; thence S. 12°26'20" E. along said Easterly boundary 159.0 feet to a point; thence N. 82°01' W. 211.6 feet to a point on the Westerly boundary of said Block 5; thence N. 0°51' E. 150.25 feet, more or less, to the point of beginning.

EXCEPTING THEREFROM the Northerly 23.0 feet thereof as described in Volume M72 page 5888, Deed Records of Klamath County, Oregon.

PARCEL 4: ELDORADO

A:

A parcel of land situated in the Vacated Replat of Blocks 1, 2, 3, 5, 6 and 7, ELDORADO and in the Vacated portion of Block 9, Eldorado, more particularly described as follows: Beginning at the point of intersection of the Northerly line of Dahlia Street and the Northeasterly extension of the Southeasterly line of Lot 7, Block 9, Eldorado; thence N. 51°43'30" W., along the Northerly line of Dahlia Street, a distance of 211.87 feet to an iron pin marking the beginning of a curve; thence along the arc of a 20 foot radius curve to the right a distance of 49.56 feet to its point of tangency on the South line of Eldorado Blvd., said curve having a long chord which bears N. 19°21' E. a distance of 37.84 feet; thence S. 89°34'30" E. along the South line

of Eldorado Blvd. a distance of 574.23 feet to the beginning of a curve; thence along the arc of a curve to the right, said curve having an angle of $26^{\circ}58'19''$ and a radius of 677.34 feet, a distance of 318.86 feet to a point; thence on a line which bears $S. 38^{\circ}16'30'' W.$, parallel with and 200 feet Northwesterly at right angles to the Westerly line of Sloan Street, a distance of 668.38 feet to a point on the Southwesterly line of Block 9 of Eldorado; thence $N. 51^{\circ}43'30'' W.$, along said line, a distance of 517.0 feet to the most Southerly corner of Lot 7, said Block 9; thence $N. 38^{\circ}16'30'' E.$ along the Southeasterly line of said Lot 7 and the extension thereof, 150.0 feet to the point of beginning.

Together with a portion of Vacated Dahlia Street which inurred thereto.

EXCEPT that portion of the above described property lying in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

B:

Lots 1 thru 6 in Block 9 of Eldorado, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO that portion of Vacated Dahlia Street which inurred thereto.

C:

Lot 7 in Block 9 of Eldorado, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. ALSO that portion of Vacated Dahlia Street which inurred thereto.

D:

A parcel of land situated in the Vacated Replat of Blocks 1, 2, 3, 5, 6 and 7, ELDORADO and in the Vacated portion of Block 9, ELDORADO, more particularly described as follows: Beginning at the point of intersection of the Northerly line of Dahlia Street and the Northeasterly extension of the Southeasterly line of Lot 7, Block 9, Eldorado; thence $N. 51^{\circ}43'30'' W.$, along the Northerly line of Dahlia Street, a distance of 211.87 feet to an iron pin marking the beginning of a curve; thence along the arc of a 20 foot radius curve to the right a distance of 49.56 feet to its point of tangency on the South line of Eldorado Blvd., said curve having a long chord which bears $N. 19^{\circ}21' E.$ a distance of 37.84 feet; thence $S. 89^{\circ}34'30'' E.$ along the south line of Eldorado Blvd. a distance of 574.23 feet to the beginning of a curve; thence along the arc of a curve to the right, said curve having an angle of $26^{\circ}58'19''$ and a radius of 677.34 feet, a distance of 318.86 feet to a point; thence on a line which bears $S. 38^{\circ}16'30'' W.$, parallel with and 200 feet Northwesterly at right angles to the Westerly line of Sloan Street, a distance of 668.38 feet to a point on the Southwesterly line of Block 9 of Eldorado; thence $N. 51^{\circ}43'30'' W.$, along said line, a distance of 517.0 feet to the most Southerly corner of Lot 7, said Block 9; thence $N. 38^{\circ}16'30'' E.$ along the Southeasterly line of said Lot 7 and the extension thereof, 150.0 feet to the point of beginning.

TOGETHER with portion of Vacated Dahlia Street which inurred thereto.

EXCEPT that portion of the above described property lying in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.

E:

TOGETHER WITH easement for parking, and easement for the use of one-half of the waters in well located on the following described parcel: A parcel of land situated in portions of Vacated Blocks 2, 3, 6, 7, 9 and 10, Eldorado Addition to the City of Klamath Falls, Oregon, in the County of Klamath, State of Oregon, more particularly described as follows: Beginning at a point being the intersection of the Southerly right of way line of Eldorado Boulevard and the Northwest right of way line of Sloan Street; thence South $38^{\circ}16'30''$ West along said right of way line of Sloan Street, a distance of 576.60 feet to the South right of way line of Dahlia Street; thence North $51^{\circ}43'30''$ West along said right of way line, a distance of 25.00 feet; thence South $38^{\circ}16'30''$ West a distance of 100.0 feet, thence North $51^{\circ}43'30''$ West a distance of 175.0 feet; thence North $38^{\circ}16'30''$ East a distance of 668.38 feet, to a point on the Southerly right of way line of Eldorado Boulevard; thence Southeasterly along the arc of a $8^{\circ}18'30''$ curve to the right, a distance of 200.77 feet to the point of beginning, as disclosed by Judgment filed in Case No. 84-827CV filed November 9, 1987, in the Circuit Court of the State of Oregon for Klamath County.

PARCEL 5: CRYSTAL TERRACE

The SE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 East of the Willamette Meridian, SAVING AND EXCEPTING therefrom the portion conveyed to State of Oregon, acting by and through the Oregon State Board of Higher Education, by deed records July 28, 1961, in Volume 331 of Deeds page 299, records of Klamath County, Oregon AND ALSO SAVING AND EXCEPTING therefrom that portion conveyed to Presbyterian Inter-community Hospital, Inc., an Oregon non-profit corporation, by Deed Volume 355 on page 643, Records of Klamath County, Oregon.

EXHIBIT B

Form of Coupon 1977 Bonds

UNITED STATES OF AMERICA

STATE OF OREGON

KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY
 REFUNDING GROSS REVENUE BONDS, SERIES 1977
 (Presbyterian Intercommunity Hospital Project)

No.

\$5,000

KNOW ALL MEN BY THESE PRESENTS, that Klamath Falls Intercommunity Hospital Authority (hereinafter sometimes called the "Authority" or the "Authority"), a municipal corporation of the State of Oregon, for value received, promises to pay to bearer, or, if this Bond be registered to the registered holder hereof, but solely from the source and in the manner hereinafter set forth, the principal sum of

FIVE THOUSAND DOLLARS

on the first day of September, _____, and to pay interest thereon from the date hereof at the rate of _____ per centum (____%) per annum, payable semiannually on the first day of March and the first day of September in each year, commencing September 1, 1977, until the principal and interest are paid in full subject to the provisions hereinafter set forth with respect to redemption prior to maturity. The principal sum of this Bond and interest thereon are payable in lawful money of the United States of America at the head office of the First National Bank of Oregon, upon presentation and surrender of this Bond and the coupons attached hereto as they respectively mature.

This Bond is one of a duly authorized issue of Refunding Gross Revenue Bonds, Series 1977 (Presbyterian Intercommunity Hospital Project) aggregating in the principal amount \$_____ and issued for the purpose of advance refunding the \$3,850,000 Gross Revenue-Bonds, Series 1975, which Bonds were issued for the purpose of paying part of the costs of constructing, acquiring and installing certain hospital facilities (the "Hospital Facilities") at the Presbyterian Intercommunity Hospital, Klamath Falls, Oregon.

The Bonds, together with additional Bonds as may be issued on a parity therewith, are all issued or may be issued under and are to be equally and ratably secured and entitled to the protection given by a trust indenture (the "Trust Indenture" or "Indenture"), dated as of September 1, 1977 duly execute and delivered by the Authority to

First National Bank of Oregon, Portland, Oregon, as Trustee (the "Trustee") and reference is hereby made to the Indenture and to any indentures supplemental thereto for a more complete description of the Hospital Facilities, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority, the Trustee and the holders of the Bonds and coupons and the terms and conditions upon which the Bonds are issued and secured, and to all of these provisions of such Indenture, each holder, by the acceptance of this Bond, does assent.

This Bond and appurtenant coupons are fully negotiable, but this Bond may be registered as to principal and interest, on the registration books of the Authority in the corporate trust office of the Trustee acting also as the bond registrar, upon presentation hereof, at such office and the notation of such registration endorsed hereon by the bond registrar, and this Bond may thereafter be transferred on such books by the registered holder in person or by his attorney, evidence of such transfer to be in like manner endorsed hereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of this Bond, if registered, unless registered to bearer, shall be payable only to or on the order of the registered holder or his attorney. Interest accruing on this Bond will be paid only upon presentation and surrender of the attached interest coupons as they respectively become due, and registration of this Bond as to principal as aforesaid will not affect the transferability by delivery of any coupons attached hereto. As provided in the Indenture, coupon Bonds and fully registered Bonds are interchangeable in an equal aggregate principal amount and in authorized denominations at the corporate trust office of the Trustee, and in the manner, subject to the limitations and on the payment of the charges, as provided in the Indenture.

The Bonds of this series are non-callable for redemption prior to September 1, 1987, except in the event of condemnation, damage or destruction of the Hospital Facilities, to the extent and under the conditions provided in the Trust Indenture. -If called for redemption in any of such events, such Bonds shall be subject to redemption by the Authority on any date after issuance, in whole, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

On any interest payment date on or after September 1, 1987, the Authority may elect to redeem all or any portion of the Bonds (if less than all Bonds of a single maturity, they shall be called and redeemed by lot within that maturity) then outstanding in inverse numerical order and at the redemption prices (expressed as a percentage of the principal amount) set forth below, together with accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 1987 and March 30, 1988	102.0%
September 1, 1988 and March 30, 1989	101.5%
September 1, 1989 and March 30, 1990	101.0%
September 1, 1990 and March 30, 1991	100.5%
September 1, 1991 and semiannually thereafter	100.0%

The right of redemption shall be exercised by notice specifying by number the Bonds to be called, the redemption price to be paid, the date fixed for redemption and the places where the amounts due upon such redemption are payable, such notice to be published by the Trustee on behalf of the Authority at least twice in a newspaper of general circulation published in the City of Klamath Falls, Oregon, the first such publication in each newspaper to be not less than thirty days prior to the redemption date, and in case of the redemption of the bonds at the time registered only as to principal (except to bearer) or in fully registered form, upon mailing a copy of the redemption notice by registered or certified mail at least thirty days prior to the date fixed for redemption to the registered holder of each Bond to be redeemed at the address shown on the registration books[; provided, however, that failure to give such notice by mailing, or any defect therein, shall not affect the validity of any proceeding for the redemption of Bonds]. If all of the Bonds to be redeemed are at that time registered only as to principal (except to bearer) or in fully registered form, notice given by registered or certified mail to the holder or holders thereof mailed to the address shown on the registration books, not less than thirty days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. In addition to the newspaper publication and/or mailing of such notice, notice of redemption must also be mailed to Moody's Investors Service, Inc. and Standard and Poor's Corporation in New York City, New York. All Bonds so called for redemption will cease to bear interest on the redemption date, provided funds for their redemption are on deposit at the corporate trust office of the Trustee or the Authority's paying agent at that time, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, for any reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute sufficient publication of notice.

The Bonds are issued pursuant to the laws of the State of Oregon, particularly Oregon Revised Statutes 441.525 to 441.595, inclusive, and a bond resolution (the "Bond Resolution") as defined in the Indenture. The Bonds, together with additional bonds issued on a parity therewith under the Indenture, and any interest coupons attached thereto, are special obligations of the Authority, are payable as to principal, premium, if any, and interest solely out of the rental amounts and special funds as defined in the Indenture. Neither the Bonds, Bond Resolution nor Indenture constitute a debt or a pledge of the faith and credit

of the Authority nor require the use of the general resources of the Authority, and the holders or owners of the Bonds shall have no right to have taxes levied by the Authority or any other municipal corporation or political subdivision for the payment of the principal of or any premium or interest on the Bonds, but such Bonds are payable solely from the rental amounts and special funds pledged by the Indenture. Payments sufficient for the prompt payment, when due, of the interest and premium, if any, on and principal of the Bonds are required by the Indenture to be paid from said rental amounts and special funds to the Trustee for the account of the Authority and have been duly pledged for that purpose.

The holder of this Bond shall not be entitled to enforce the provisions of the Indenture or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the indenture, or to take any action with respect to any event of default under the Indenture, except as provided in the Indenture.

The Indenture contains provisions permitting the Authority and the Trustee, with the consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding, to execute supplemental indentures modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. Provided, however, that no such supplemental indenture shall (a) without the consent of the holder of each Bond affected extend the maturity of the principal of or the interest on any Bond, (b) reduce the rate of interest or redemption premium of any Bond, or (c) without the consent of the holders of all outstanding Bonds, (i) permit a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any supplemental indenture.

The Authority and the Trustee may, without the consent of or notice to the Bondholders, enter into supplemental indentures for the purposes of curing any defect in the Indenture, conferring additional rights on the Trustee for the benefit of the holders of the Bonds; or subjecting additional revenues to the lien of the Indenture.

If an event of default, as defined in the Indenture, shall occur, the principal of this Bond and all other bonds secured by the Indenture, then issued and outstanding, may be declared due and payable in the manner and with the effect as provided by the Indenture, but subject to waiver of such default as provided in the Indenture.

The pledge of rental amounts and other obligations of the Authority under the Bond Resolution may be discharged prior to the maturity or the redemption of the Bonds by the making of provision for the payment thereof on the terms and conditions set forth in Articles XIII of the Indenture.

AND IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things necessary to be done by the Authority precedent to and in the issuing of the Bonds

in order to make them legal, valid and binding special obligations of the Authority in accordance with their terms, and in the execution and delivery of the Indenture, have been done and performed and have occurred as required by law, that the Authority has, on its behalf, received payment in full for the Bonds; and that the Bonds do not exceed or violate any constitutional or statutory limitation.

Neither this Bond nor any of the appertaining coupons shall be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Klamath Falls Intercommunity Hospital Authority, Klamath Falls, Oregon, has caused this Bond to be executed in the name of the Authority by the facsimile signature of its Chairman and the facsimile signature of its Secretary, and the interest coupons attached hereto to be executed by the facsimile signatures of its Chairman and Secretary, all as of the 1st day of September, 1977.

ATTEST:

Secretary

Chairman, Board of Directors
Klamath Falls Intercommunity
Hospital Authority

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This Bond is one of the Bonds described
in the within-mentioned Indenture.

FIRST NATIONAL BANK OF OREGON,
Trustee

By: _____
Authorized Officer

[FORM OF INTEREST COUPON]

No.

\$

On the first day of _____, (unless the Bond described below shall have been duly called for previous redemption and payment of the principal amount thereof, interest accrued thereon to the date of redemption and any redemption premium duly made or provided for) the Klamath Falls Intercommunity Hospital Authority, Klamath Falls, Oregon will pay to bearer, but solely from the sources and in the manner provided in the Trust Indenture dated September 1, 1977, between it and First National Bank of Oregon, as Trustee, on presentation and surrender of this coupon at the corporate trust office of the Trustee, Portland, Oregon, the amount of _____ dollars in lawful money of the United States of America, being interest then due on its Refunding Gross Revenue Bonds, Series 1977, (Presbyterian Intercommunity Hospital Project), dated September 1, 1977, Numbered _____.

Treasurer_____
Chairman, Board of Directors

[FORM OF REGISTRATION]

Date of
RegistrationName of
Registered OwnerSignature of
Bond Registrar

EXHIBIT C

Form of Registered 1977 Bonds

UNITED STATES OF A M E R I C A

KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY
 REFUNDING GROSS REVENUE BONDS, SERIES 1977
 (Presbyterian Intercommunity Hospital Project)

No. R-_____

\$

KNOW ALL MEN BY THESE PRESENTS, that the Klamath Falls Intercommunity Hospital Authority (hereinafter sometimes called the "Authority" or the "Authority") a municipal corporation of the State of Oregon, for value received, promises to pay to _____, or registered assigns, but solely from the source and in the manner hereinafter set forth the principal sum of _____ Dollars on the first day of September, _____ and to pay interest thereon from the date hereof at the rate of _____ per centum (____%) per annum, payable semiannually on the first day of March and the first day of September in each year, commencing September 1, 1977, until the principal and interest are paid in full subject to the provisions hereinafter set forth with respect to redemption prior to maturity. The principal sum of this Bond and interest thereon are payable in lawful money of the United States of America at the corporate trust office of First National Bank of Oregon, as Trustee, Portland, Oregon, but only as to principal upon presentation and surrender of this Bond. Interest on this Bond will be paid by check or draft mailed to the registered holder hereof at the address as it appears on the registration books of the Authority.

This Bond is one of a duly authorized issue of Refunding Gross Revenue Bonds, Series 1977 (Presbyterian Intercommunity Hospital Project), aggregating in principal amount \$ _____ and issued for the purpose of advance refunding the \$3,850,000 Gross Revenue Bonds, Series 1975, which Bonds were issued for the purpose of paying part of the costs of constructing, acquiring and installing certain hospital facilities (the "Hospital Facilities") at the Presbyterian Intercommunity Hospital, Klamath Falls, Oregon.

The Bonds, together with additional bonds as may be issued on a parity therewith, are all issued, or may be issued, under and are to be equally and ratably secured and entitled to the protection given by a trust indenture (the, "Trust Indenture" or "Indenture"), dated as of September 1, 1977, duly executed and delivered by the Authority to First National Bank of Oregon, (the "Trustee"), and reference is hereby made to the Indenture and to all indentures supplemental thereto for a more complete description of the Hospital Facilities, the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Authority, the Trustee and the holders of the Bonds and coupons and the terms and conditions upon which the Bonds are issued

and secured, and to all of these provisions of such Indenture, each holder, by the acceptance of this Bond, does assent.

The Bonds are issuable as fully registered Bonds, or as coupon Bonds, registerable as to principal and interest on the registration books of the Authority in the corporate trust office of the Trustee acting also as the bond registrar, upon presentation thereof, at such office and the notation of such registration endorsed thereon by the bond registrar, and may thereafter be transferred on such books by the registered holder in person or by his attorney, evidence of such transfer to be in like manner endorsed thereon. Such transfer may be to bearer, and thereby transferability by delivery shall be restored, subject, however, to successive registrations and transfers as before. The principal of any Bond, if registered, unless registered to bearer, shall be payable only to or on the order of the registered holder or his attorney. As provided in the Indenture, coupon Bonds and fully registered Bonds are interchangeable in an equal aggregate principal amount and in authorized denominations at the corporate trust office of the Trustee, and in the manner, subject to the limitations and on the payment of the charges, as provided in the Indenture.

The Bonds of this series are non-callable for redemption prior to September 1, 1987, except in the event of condemnation, damage or destruction of the Hospital Facilities, to the extent and under the conditions provided in the Trust Indenture. If called for redemption in any of such events, such Bonds shall be subject to redemption by the Authority on any date after issuance in whole, at a redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

On any interest payment date on or after September 1, 1987, the Authority may elect to redeem all or any portion of the bonds (if less than all Bonds of a single maturity, they shall be called and redeemed by lot within that maturity) then outstanding in inverse numerical order and at the redemption prices (expressed as a percentage of the principal amount) set forth below, together with accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
September 1, 1987 and March 30, 1988	102.0%
September 1, 1988 and March 30, 1989	101.5%
September 1, 1989 and March 30, 1990	101.0%
September 1, 1990 and March 30, 1991	100.5%
September 1, 1991 and semiannually thereafter	100.0%

The right of redemption shall be exercised by notice specifying by number the Bonds to be called, the redemption price to be paid, the date fixed for redemption and the places where the amounts due upon such redemption are payable, such notice to be published by the Trustee on behalf of the Authority at least twice in a newspaper of general circulation published in the City of Klamath Falls, Oregon, [and in addition, at least twice in a newspaper or financial journal of national circulation published in the City and State

of New York,] the first such publication in each newspaper to be not less than thirty days prior to the redemption date, and in case of the redemption of the Bonds at the time registered only as to principal (except to bearer) or in fully registered form, upon mailing a copy of the redemption notice by registered or certified mail at least thirty days prior to the date fixed for redemption to the registered holder of each Bond to be redeemed to the address shown on the registration books). If all of the Bonds to be redeemed are at that time registered only as to principal (except to bearer) or in fully registered form, notice given by registered or certified mail to the holder or holders thereof mailed to the address shown on the registration books, not less than thirty days prior to the date fixed for redemption shall be sufficient and published notice of the call for redemption need not be given. In addition to the newspaper publication and/or mailing of such notice, notice of redemption must also be mailed to Moody's Investors Service, Inc. and Standard and Poor's Corporation in New York City, New York. All Bonds so called for redemption will cease to bear interest on the redemption date, provided funds for their redemption are on deposit at the corporate trust office of the Trustee or the Authority's paying agent at that time, and shall no longer be protected by the Indenture and shall not be deemed to be outstanding under the provisions of the Indenture. If, for any reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute sufficient-publication of notice.

The Bonds are issued pursuant to the laws of the State of Oregon, particularly Oregon Revised Statutes 441.525 to 441.595, inclusive, and a bond resolution (the "Bond Resolution") as defined in the Indenture. The Bonds, together with additional bonds issued on a parity therewith under the Indenture, and any interest coupons attached thereto, are special obligations of the Authority, are payable as to principal, premium, if any, and interest solely out of the rental amounts and special funds as defined in the Indenture. Neither the Bonds, Bond Resolution nor Indenture constitute a debt or a pledge of the faith and credit of the Authority nor require the use of the general resources of the Authority, and the holders or owners of the Bonds shall have no right to have taxes levied by the Authority or any other municipal corporation or political subdivision for the payment of the principal of or any premium or interest on the Bonds, but such Bonds are payable solely from the rental amounts and special funds pledged by the Indenture. Payments sufficient for the prompt payment, when due, of the interest and premium, if any, on and principal of the Bonds are required by the Indenture to be paid from said rental amounts and special funds to the Trustee for the account of the Authority and have been duly pledged for that purpose.

The holder of this Bond shall not be entitled to enforce the provisions of the Indenture or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the Indenture, or to take any action with respect to any event of default under the Indenture, except as provided in the Indenture.

The Indenture contains provisions permitting the Authority and the Trustee, with the consent of the holders of not less than two-thirds in aggregate principal amount of the Bonds then outstanding, to execute supplemental indentures modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture. Provided, however, that no such supplemental indenture shall (a) without the consent of the holder of each Bond affected extend the maturity of the principal of or the interest on any Bond, (b) reduce the rate of interest or redemption premium of any Bond, or (c) without the consent of the holders of all outstanding Bonds, (i) permit a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any supplemental indenture.

The Authority and the Trustee may, without the consent of or notice to the Bondholders, enter into supplemental indentures for the purposes of curing any defect in the Indenture, conferring additional rights on the Trustee for the benefit of the holders of the Bonds; or-subjecting additional revenues to the lien of the Indenture.

If an event of default, as defined in the Indenture, shall occur, the principal of this Bond and all other bonds secured by the Indenture then issued and outstanding may be declared due and payable in the manner and with the effect as provided by the Indenture, but subject to waiver of such default as provided in the Indenture.

The pledge of rental amounts and other obligations of the Authority under the Bond Resolution may be discharged prior to the maturity or the redemption of the Bonds by the making of provision for the payment thereof on the terms and conditions set forth in Articles XIII of the Indenture.

AND IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things necessary to be done by the Authority precedent to and in the issuing of the Bonds in order to make them legal, valid and binding special obligations of the Authority in accordance with their terms, and in the execution and delivery of the Indenture, have been done and performed and have occurred as required by law; that the Authority has, on its behalf, received payment in full for the Bonds and that the Bonds do not exceed or violate any constitutional or statutory limitation.

This Bond shall not be entitled to any security or benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Klamath Falls Intercommunity Hospital Authority, Klamath Falls, Oregon, has caused this Bond to be executed in the name of the Authority by the facsimile signatures of its Chairman and its Secretary, as of the 1st day of September, 1977.

Attest:

By: _____
Secretary

By: _____
Chairman, Board of Directors
Klamath Falls Intercommunity
Hospital Authority
Klamath Falls, Oregon

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

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

FIRST NATIONAL BANK OF OREGON,
Trustee

By: _____
Authorized Officer

[FORM OF ENDORSEMENT AS REGISTERED BOND]

For value received, the undersigned Bondholder sells, assigns and transfers unto _____ the within Refunding Gross Revenue Bond, Series 1977 (Klamath Falls Intercommunity Hospital Project), and all rights thereunder, and does authorize the Bond Registrar to transfer the Bond on its books as herein directed.

Dated: _____, 19__

By: _____
Bondholder

EXHIBIT D

Form of 1991 Bonds

No. R-

\$

UNITED STATES OF AMERICA
STATE OF OREGON

KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY

GROSS REVENUE BONDS
SERIES 1991
(MERLE WEST MEDICAL CENTER PROJECT)

DATED DATE	INTEREST RATE PER ANNUM	MATURITY DATE	CUSIP
July 1, 1991	_____ %	July 1, _____	

REGISTERED OWNER: [----- CEDE & CO.-----]

PRINCIPAL AMOUNT:

DOLLARS

THE KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY (the "Authority"), a municipal corporation and public body corporate and politic duly organized and existing under the laws of the State of Oregon, for value received, hereby promises to pay (but only out of the sources hereinafter provided) to the registered owner hereof referred to above, or registered assigns (the "Owner"), on the Maturity Date specified above, unless this Bond shall have been called for redemption and payment of the redemption price shall have been duly made or provided for, upon presentation and surrender hereof, the Principal Amount shown above and to pay (but only out of sources hereinafter provided) interest on the balance of said Principal Amount from time to time remaining unpaid, from and including the date hereof or from and including the most recent interest payment date described below, at the rate per annum shown above. In accordance with the terms of a certain Amended and Restated Trust Indenture between the Authority and First Interstate Bank of Oregon, N.A., Portland, Oregon, as trustee (together with any successor trustee, the "Trustee") (the "Indenture"), which Indenture amends, restates and supplements the Trust Indenture dated as of September 1, 1977 between the Authority and the Trustee (formerly named First National Bank of Oregon), the Bonds are issued on a parity lien basis with the Authority's Refunding Gross Revenue Bonds, Series 1977 (Klamath Falls Intercommunity Hospital Project). Pursuant to the Indenture, interest on this Bond is payable semiannually on the first days of June and December in each year until maturity or prior redemption, commencing December 1, 1991 ("Interest Payment Date"). Principal of, premium, if any, and interest on this Bond shall be payable in lawful money of the United States of America

at the principal corporate trust office of the Trustee; provided, however, that payment of interest on any Interest Payment Date shall be made to the Owner hereof as of the close of business on the applicable Record Date (as defined in the Indenture) with respect to such Interest Payment Date, as follows: interest shall be paid by check mailed to the Owner of this Bond at his or her address as it appears on the registration books of the Authority maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee as of the close of business on the Record Date, except that if so instructed by the Owner of not less than \$1,000,000 in aggregate principal amount of Bonds in writing not less than 15 days prior to such Record Date, such payments shall be made by wire transfer on the applicable Interest Payment Date to the Owner thereof as of the close of business on the applicable Record Date. All terms used in this Bond and not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture. The Bonds are payable from the Special Funds as provided in the Indenture including the 1991 Bond Interest Account, the 1991 Bond Principal Account and the 1991 Debt Service Reserve Account, each as established by Resolution No. 91-3 of the Authority adopted on June 19, 1991.

This Bond is one of the duly authorized series of bonds designated as the Klamath Falls Intercommunity Hospital Authority Gross Revenue Bonds, Series 1991 (Merle West Medical Center Project) (the "Bonds") issued in the aggregate principal amount of \$8,500,000 and issued under the Indenture for the purpose of financing the construction and equipping of additions to the Merle West Medical Center ("Hospital") (the "Hospital Facilities"), and certain other capital costs and bond issuance costs.

The Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds are transferable at the principal corporate trust office of the Trustee located at 2701 N.W. Vaughn Street, Portland, Oregon 97210. Exchanges and transfers will be made without charge to the Bondowners, except for any applicable tax or governmental charge required. The Trustee may resign or be removed as provided in the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF OREGON, THE CITY OF KLAMATH FALLS, OREGON, OR ANY POLITICAL SUBDIVISION THEREOF ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OR A CHARGE ON THE TAX REVENUES OF THE STATE OF OREGON, THE CITY OF KLAMATH FALLS, OREGON, OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY.

This Bond shall be subject to optional and mandatory redemption, as a whole or in part, at the times, in the amounts and at the prices provided in the Indenture.

A notice of redemption will be mailed to all Owners of Bonds to be redeemed at least 30 days prior to the date of redemption. Any failure to mail any notice of redemption to the Owner of any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. If less than all of the Bonds are called for redemption, the selection thereof, or portions thereof to be called, shall be made in such manner as the Hospital, as defined below, in its discretion may deem to be proper, except as otherwise provided in the Indenture.

After the redemption date, no further interest will accrue on the principal of any Bonds properly called for redemption if payment therefor has been duly provided.

Under the Indenture, the Authority pledges to the Trustee its rights in the payments under the Lease (as defined below) and the Loan Agreement (as defined below) and its rights in the Gross Revenues of the Hospital and the Special Funds established under the Indenture.

The Authority holds title to the Hospital Facilities. The Amended and Restated Lease dated as of July 1, 1991, between the Authority, as lessor and Hospital, as lessee (the "Lease"), amends and restates the lease between the Authority and Hospital (formerly named Presbyterian Intercommunity Hospital) dated as of September 1, 1977. The Hospital pledges to the Authority its Gross Revenues to secure the payment of Rental Amounts under the Lease.

Upon the final payment of the 1977 Bonds, the Hospital will have the option of repurchasing the Hospital Facilities, whereupon the Loan Agreement between the Authority and the Hospital dated as of July 1, 1991 (the "Loan Agreement") would become effective. If this option is exercised by the Hospital, the Bonds will be payable from and secured by Loan Payments received from the Hospital under the Loan Agreement.

No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, the Lease or the Loan Agreement against any past, present or future member, officer, employee or agent of the Authority, or through the Authority or any successor, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, officer, employee or agent as such is hereby expressly waived and released as a condition of, and in consideration for, the execution of the Indenture, the Lease or the Loan Agreement and the issuance of this Bond.

The Owner hereof shall have no right to enforce the provisions of the Indenture or to institute actions to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

The Indenture prescribes two different methods in which it may be discharged, depending on whether the 1977 Indenture has been discharged or defeased, including a provision that the Bonds shall be deemed to be paid if cash and/or certain specified securities maturing as to principal and interest in such amounts and at such times as will be such to insure the availability of sufficient moneys to pay the principal of, and premium, if any, and interest on, the Bonds and all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent shall have been deposited with the Trustee, after which the Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of the Bonds and of payment from such sources.

Reference is hereby made to the Indenture, the Lease, and the Loan Agreement, copies of which are on file with the Trustee, for the provisions, among others, with respect to the nature and extent of the rights, duties and obligations of the Authority, the Hospital, the Trustee, and the Owners, the terms upon which the Bonds are issued and secured, the modification, amendment or supplementation of the Indenture and the Lease, and other matters, to all of which the Owner of this Bond assents by the acceptance of this Bond.

Modifications or alterations of the Indenture, the Lease, the Loan Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances described therein.

It is hereby certified and recited that all acts and things required to be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond and the series of Bonds of which this is one have been done and performed in due time, form and manner as required by law and that the issuance of this Bond does not exceed or violate any constitutional or statutory debt limitation.

THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY FOR ANY PURPOSE OR BE ENTITLED TO ANY SECURITY OR BENEFIT UNDER THE INDENTURE UNLESS AND UNTIL THE CERTIFICATE OF AUTHENTICATION HEREON SHALL HAVE BEEN DULY EXECUTED BY THE TRUSTEE.

IN WITNESS WHEREOF, the Klamath Falls Intercommunity Hospital Authority has caused this Bond to be executed in its name by the facsimile signature of the Chair of its Board of Directors and attested by the facsimile signature of the Secretary of its Board of Directors to be impressed or imprinted hereon as of the first day of July, 1991.

KLAMATH FALLS INTERCOMMUNITY
HOSPITAL AUTHORITY

By: _____
Chair, Board of Directors

ATTEST:

By: _____
Secretary, Board of Directors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the withinmentioned Indenture.

Authentication Date:

FIRST INTERSTATE BANK OF OREGON, N.A., as Trustee

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert social security or other
identifying number of assignee

this Bond and does hereby irrevocably constitute and appoint
as attorney to transfer this Bond on the books kept for
registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature(s) to this assignment must correspond with the name(s) of the
registered owner as it appears upon the face of this Bond in every particular, without
alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this
Bond, shall be construed as though they were written out in full according to applicable laws
or
regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN as

31066

EXHIBIT E

Form of 1994 Bonds

No. R-

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON

KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY

GROSS REVENUE BONDS
SERIES 1994
(MERLE WEST MEDICAL CENTER PROJECT)

DATED DATE	INTEREST RATE PER ANNUM	MATURITY DATE	CUSIP
September 1, 1994	_____ %	September 1, _____	_____

REGISTERED OWNER: [-----CEDE & CO.-----]

PRINCIPAL AMOUNT:

DOLLARS

THE KLAMATH FALLS INTERCOMMUNITY HOSPITAL AUTHORITY (the "Authority"), a municipal corporation and public body corporate and politic duly organized and existing under the laws of the State of Oregon, for value received, hereby promises to pay (but only out of the sources hereinafter provided) to the registered owner hereof referred to above, or registered assigns (the "Owner"), on the Maturity Date specified above, unless this Bond shall have been called for redemption and payment of the redemption price shall have been duly made or provided for, upon presentation and surrender hereof, the Principal Amount shown above and to pay (but only out of sources hereinafter provided) interest on the balance of said Principal Amount from time to time remaining unpaid, from and including the date hereof or from and including the most recent interest payment date described below, at the rate per annum shown above. In accordance with the terms of a certain Second Amended and Restated Trust Indenture dated as of September 1, 1994 (the "Indenture") between the Authority and First Interstate Bank of Oregon, N.A., Portland, Oregon, as trustee (together with any successor trustee, the "Trustee"), which Indenture amends, restates and supplements the Amended and Restated Trust Indenture dated as of July 1, 1991 between the Authority and the Trustee (formerly named First National Bank of Oregon), which amends, restates and supplements the Trust Indenture dated as of September 1, 1977 between the Authority and the Trustee, the Bonds are issued on a parity

lien basis with the Authority's Refunding Gross Revenue Bonds, Series 1977 (Presbyterian Intercommunity Hospital Project) and the Authority's Gross Revenue Bonds, Series 1991 (Merle West Medical Center Project). Pursuant to the Indenture, interest on this Bond is payable semiannually on the 1st days of March and September in each year until maturity or prior redemption, commencing March 1, 1995 ("Interest Payment Date"). Principal of, premium, if any, and interest on this Bond shall be payable in lawful money of the United States of America at the principal corporate trust office of the Trustee; provided, however, that payment of interest on any Interest Payment Date shall be made to the Owner hereof as of the close of business on the applicable Record Date (as defined in the Indenture) with respect to such Interest Payment Date, as follows: interest shall be paid by check mailed to the Owner of this Bond at his or her address as it appears on the registration books of the Authority maintained by the Trustee or at such other address as is furnished in writing by such Owner to the Trustee as of the close of business on the Record Date, except that if so instructed by the Owner of not less than \$1,000,000 in aggregate principal amount of Bonds in writing not less than 15 days prior to such Record Date, such payments shall be made by wire transfer on the applicable Interest Payment Date to the Owner thereof as of the close of business on the applicable Record Date. Notwithstanding the foregoing, for so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments shall be made in accordance with the Letter of Representations applicable to the Bonds. All terms used in this Bond and not otherwise defined herein shall have the respective meanings assigned thereto in the Indenture. The Bonds are payable from the Special Funds as provided in the Indenture including the 1994 Bond Interest Account, the 1994 Bond Principal Account and the 1994 Debt Service Reserve Account, each as established by Resolution No. 94-2 of the Authority adopted on September 21, 1994.

This Bond is one of the duly authorized series of bonds designated as the Klamath Falls Intercommunity Hospital Authority Gross Revenue Bonds, Series 1994 (Merle West Medical Center Project) (the "Bonds") issued in the aggregate principal amount of \$13,000,000 and issued under the Indenture for the purpose of financing the construction and equipping the addition to the Merle West Medical Center ("Hospital") (the "Hospital Facilities") of adult living facilities which provide to the residents thereof a spectrum of assisted care, and certain other capital costs and bond issuance costs.

The Bonds are issuable in the form of fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds are transferable at the principal corporate trust office of the Trustee located at 2701 N.W. Vaughn Street, Portland, Oregon 97210. Exchanges and transfers will be made without charge to the Bondowners, except for any applicable tax or governmental charge required. The Trustee may resign or be removed as provided in the Indenture.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF OREGON, THE CITY OF KLAMATH FALLS, OREGON, OR ANY POLITICAL SUBDIVISION THEREOF ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE AUTHORITY HAS NO TAXING

POWER. THE BONDS DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OR A CHARGE ON THE TAX REVENUES OF THE STATE OF OREGON, THE CITY OF KLAMATH FALLS, OREGON, OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY.

This Bond shall be subject to optional and mandatory redemption, as a whole or in part, at the times, in the amounts and at the prices provided in the Indenture.

A notice of redemption will be mailed to all Owners of Bonds to be redeemed at least 30 days prior to the date of redemption; provided, however, that for so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such notice shall be given in accordance with the Letter of Representations applicable to the Bonds. Any failure to mail any notice of redemption to the Owner of any Bond shall not affect the validity of the proceedings for the redemption of any other Bonds. If less than all of the Bonds are called for redemption, the selection thereof, or portions thereof to be called, shall be made in such manner as the Hospital, as defined below, in its discretion may deem to be proper, except as otherwise provided in the Indenture.

After the redemption date, no further interest will accrue on the principal of any Bonds properly called for redemption if payment therefor has been duly provided.

Under the Indenture, the Authority pledges to the Trustee its rights in the payments under the Lease (as defined below) and the Loan Agreement (as defined below) and its rights in the Gross Revenues of the Hospital and the Special Funds established under the Indenture.

The Authority holds title to the Hospital Facilities. The Second Amended and Restated Lease dated as of September 1, 1994, between the Authority, as lessor and Hospital, as lessee (the "Lease"), further amends and restates the Amended and Restated Lease between the Authority and Hospital (formerly named Presbyterian Intercommunity Hospital) dated as of July 1, 1991, which amends and restates the Lease between the Authority and the Hospital dated as of September 1, 1977. The Hospital pledges to the Authority its Gross Revenues to secure the payment of Rental Amounts under the Lease.

Upon the final payment of the 1977 Bonds, the Hospital will have the option of repurchasing the Hospital Facilities, whereupon the Amended and Restated Loan Agreement between the Authority and the Hospital dated as of September 1, 1994 (the "Loan Agreement") would become effective. If this option is exercised by the Hospital, the Bonds will be payable from and secured by Loan Payments received from the Hospital under the Loan Agreement.

No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture, the Lease or the Loan Agreement against

any past, present or future member, officer, employee or agent of the Authority, or through the Authority or any successor, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, officer, employee or agent as such is hereby expressly waived and released as a condition of, and in consideration for, the execution of the Indenture, the Lease or the Loan Agreement and the issuance of this Bond.

The Owner hereof shall have no right to enforce the provisions of the Indenture or to institute actions to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Indenture.

The Indenture prescribes two different methods in which it may be discharged, depending on whether the 1977 Indenture has been discharged or defeased, including a provision that the Bonds shall be deemed to be paid if cash and/or certain specified securities maturing as to principal and interest in such amounts and at such times as will be such to insure the availability of sufficient moneys to pay the principal of, and premium, if any, and interest on, the Bonds and all necessary and proper fees, compensation and expenses of the Trustee and any Paying Agent shall have been deposited with the Trustee, after which the Bonds shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of registration and exchange of the Bonds and of payment from such sources.

Reference is hereby made to the Indenture, the Lease, and the Loan Agreement, copies of which are on file with the Trustee, for the provisions, among others, with respect to the nature and extent of the rights, duties and obligations of the Authority, the Hospital, the Trustee, and the Owners, the terms upon which the Bonds are issued and secured, the modification, amendment or supplementation of the Indenture and the Lease, and other matters, to all of which the Owner of this Bond assents by the acceptance of this Bond.

Modifications or alterations of the Indenture, the Lease, the Loan Agreement, or of any supplements thereto, may be made only to the extent and in the circumstances described therein.

It is hereby certified and recited that all acts and things required to be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond and the series of Bonds of which this is one have been done and performed in due time, form and manner as required by law and that the issuance of this Bond does not exceed or violate any constitutional or statutory debt limitation.

THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY FOR ANY PURPOSE OR BE ENTITLED TO ANY SECURITY OR BENEFIT UNDER THE INDENTURE UNLESS AND UNTIL THE CERTIFICATE OF AUTHENTICATION HEREON SHALL HAVE BEEN DULY EXECUTED BY THE TRUSTEE.

IN WITNESS WHEREOF, the Klamath Falls Intercommunity Hospital Authority has caused this Bond to be executed in its name by the facsimile signature of the Chair of its Board of Directors and attested by the facsimile signature of the Secretary to be impressed or imprinted hereon as of the 1st day of September, 1994.

KLAMATH FALLS INTERCOMMUNITY
HOSPITAL AUTHORITY

By: _____
Chair, Board of Directors

ATTEST:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Indenture.

Authentication Date:

FIRST INTERSTATE BANK OF OREGON, N.A., as Trustee

By: _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Please insert social security or other
identifying number of assignee

this Bond and does hereby irrevocably constitute and appoint _____
as attorney to transfer this Bond on the books
kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature(s) to this assignment must correspond with the name(s) of the
registered owner as it appears upon the face of this Bond in every particular, without
alteration or enlargement or any change whatever.

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this
Bond, shall be construed as though they were written out in full according to applicable laws
or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN as

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STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ Klamath County Title Co _____ the _____ 4th _____ day
of _____ Oct _____ A.D., 19 94 at 2:56 o'clock P M., and duly recorded in Vol. _____ M94 _____
of _____ Mortgages _____ on Page 30948 _____

Evelyn Biehn . County Clerk

By _____

FEE \$625.00