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**LOAN AGREEMENT**

**Dated as of \_\_\_\_\_ 1, 20\_\_**

**by and between the**

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY**

**and the**

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**Relating to:**

**§ \_\_\_\_\_**  
**California Municipal Finance Authority**  
**Insured Revenue Bonds**  
**(\_\_\_\_\_), Series 20\_\_**

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EXHIBIT A: LOAN REPAYMENT SCHEDULE

**LOAN AGREEMENT**

THIS LOAN AGREEMENT (the "Loan Agreement"), dated as of \_\_\_\_ 1, 20\_\_, between CALIFORNIA MUNICIPAL FINANCE AUTHORITY, a public entity of the State of California (the "Authority"), and \_\_\_\_\_, a California nonprofit public benefit corporation (the "Corporation"),

**WITNESSETH:**

WHEREAS, the Corporation has applied for the financial assistance of the Authority to \_\_\_\_\_ (collectively, the "Project");

WHEREAS, to finance the Project, the Authority has authorized the issuance of its Insured Revenue Bonds (\_\_\_\_\_), Series 20\_\_, in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) (the "Bonds") for such purposes; and

WHEREAS, the Authority and the Corporation each has duly authorized the execution, delivery and performance of this Loan Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. Unless otherwise defined herein and unless the context clearly otherwise requires, the capitalized terms in this Loan Agreement shall have the meanings set forth in the Indenture, dated as of \_\_\_\_ 1, 20\_\_, by and between the Authority and \_\_\_\_\_, as trustee (the "Trustee"), as originally executed or as it may from time to time be supplemented, modified or amended as provided therein or in that certain Regulatory Agreement, dated as of \_\_\_\_ 1, 20\_\_, among the Authority, the Office of Statewide Health Planning and Development of the State of California (the "Office") and the Corporation (the "Regulatory Agreement").

#### Section 1.2. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

Section 1.3. Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; and (4) a statement as to whether or not, in the opinion of such person, such provision has been satisfied.

Any such certificate or opinion made or given by an officer of the Authority or the Corporation may be based, insofar as it relates to legal, accounting or health facility matters, upon a certificate or opinion of or representation by counsel, an Accountant or a Management Consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an Accountant or a Management Consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the Corporation, as the case may be) upon a certificate or opinion of or representation by an officer of the Authority or the Corporation, unless such counsel, Accountant or Management Consultant knows, or in the exercise of reasonable care should

have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the Corporation, or the same counsel or Accountant or Management Consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Loan Agreement, but different officers, counsel, Accountants or Management Consultants may certify to different matters, respectively.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Authority. The Authority makes the following representations and warranties to the Corporation:

(a) *Organization/Authority.* The Authority is a joint exercise of powers agency, duly organized and existing under the laws of the State, and is duly authorized to issue the Bonds and to perform its obligations under this Loan Agreement.

(b) *Enforceability.* All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Loan Agreement. The Authority has taken all necessary action and has complied with all provisions of the law required to make this Loan Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) *Execution/Delivery.* The Bonds have been duly authorized, executed and delivered by the Authority. Nothing in this Loan Agreement shall be construed as requiring the Authority to provide any financing for the Project other than the proceeds of the Bonds or to provide sufficient moneys for all of the cost of financing the Project.

(d) *No Litigation.* To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority which (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Bonds, the origination of the loan or the lending of the proceeds of the Bonds to the Corporation, or the execution and delivery of the Indenture or this Loan Agreement, (ii) affects or questions the validity or enforceability of the Bonds, the Indenture or this Loan Agreement, or (iii) questions the tax-exempt status of interest on the Bonds.

Section 2.2. Representations and Warranties of the Corporation. The Corporation represents and warrants to the Authority that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof:

(a) *Organization/Authority.* The Corporation is a nonprofit, public benefit corporation duly organized and in good standing under the laws of the State and has full legal right, power and authority to enter into this Loan Agreement, and to carry out and consummate all transactions contemplated by the this Loan Agreement, and by proper corporate action has duly authorized the execution, delivery and performance of this Loan Agreement.

(b) *Execution/Delivery.* This Loan Agreement have been duly authorized, executed and delivered by the Corporation.

(c) *Enforceability.* This Loan Agreement, when assigned to the Trustee pursuant to the Indenture, will constitute the legal, valid and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms for the benefit of the Owners of the Bonds, and any rights of the Authority and obligations of the Corporation not so assigned to the Trustee constitute the legal, valid, and binding agreements of the Corporation enforceable against the Corporation in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(d) *No Conflicts.* The execution and delivery of this Loan Agreement, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Corporation, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, or the financial condition, assets, properties or operations of the Corporation.

(e) *No Other Consents.* No consent or approval of any trustee or holder of any indebtedness of the Corporation or any guarantor of indebtedness of or other provider of credit or liquidity to the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Loan Agreement, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement, or upon the financial condition, assets, properties or operations of the Corporation.

(g) *Disclosures Accurate.* No written information, exhibit or report furnished to the Authority by the Corporation in connection with the negotiation of this Loan Agreement, and no official statement or other offering document in connection with the issuance of the Bonds, if any, as of its date or as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(h) *Financial Condition.* All financial statements and information heretofore delivered to the Authority by Corporation, including without limitation, information relating to the financial condition of Corporation, the Project, the partners, joint venturers or members of Corporation, and/or any guarantor, fairly and accurately present the financial position thereof and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the Corporation or the other subjects of such statements.

(i) *Title to Property.* The Corporation has good and marketable title to the Facilities free and clear from all encumbrances other than Permitted Encumbrances.

(j) *No Defaults.* The Corporation is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under this Loan Agreement, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement or the Indenture, or the financial condition, assets, properties or operations of the Corporation.

(k) *All Necessary Approvals.* All material certificates, approvals, permits and authorizations of applicable local governmental agencies, and agencies of the State and the federal government have been or will be obtained with respect to the acquisition, construction and installation of the Project and the Project will be acquired, constructed and installed and the Facilities will be operated pursuant to and in accordance with such certificates, approvals, permits and authorizations.

(l) *No Reliance on Authority for Advice.* The Corporation acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the Corporation is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Indenture or otherwise relied on the Authority for any advice.

(m) *Nonprofit Status of Borrower.* The Corporation is an organization described in Section 501(c)(3) of the Code, does not constitute a private foundation under section 509(a) of the Code, and the income of the Corporation is exempt from federal taxation under section 501(a) of the Code. The Corporation has received a determination from the Internal Revenue Service to the foregoing effect, and none of the bases for such determination have changed since the date thereof.

## ARTICLE III

### ISSUANCE OF BONDS; LOAN OF PROCEEDS; INVESTMENT OF MONEYS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_). The Authority hereby lends and advances to the Corporation and the Corporation hereby borrows and accepts from the Authority (solely from the proceeds from the sale of the Bonds) said principal amount to be applied solely in accordance with the provisions of the Indenture. The Corporation hereby approves the Indenture, the assignment under the Indenture to the Trustee of the right, title and interest of the Authority (except the right to indemnification, fees and expenses pursuant to Sections 4.2, 7.2, 7.3 and 8.4 hereof, to receive notices and the right to give approvals, and to consent to amendments and to receive the Certificate of the Corporation required by Section 5.10 hereof) in this Loan Agreement, the Regulatory Agreement, the Contract of Insurance and the Deed of Trust.

Section 3.2. Investment of Moneys. Upon written direction of the Corporation, any moneys in any fund or account held by the Trustee under the Indenture shall be invested or reinvested by the Trustee in Investment Securities as provided in the Indenture, and the Corporation hereby approves such provisions of the Indenture and directs the Trustee to make such investments, subject to the covenants of Section 5.11 hereof. The Trustee shall have no liability if it follows any such written direction of the Corporation.

## ARTICLE IV

### REPAYMENT OF LOAN

#### Section 4.1. Payment of Loan Repayments.

(a) In consideration of the loan of the proceeds of the Bonds to the Corporation, the Corporation agrees that, on or before the first day of each month and as long as any of the Bonds remain Outstanding, commencing January 1, 2012, it shall pay to the Trustee for deposit in the Revenue Fund such amount as is required by the Trustee to make the transfers and deposits required on or before the twenty-fifth (25th) day of such month by Section 5.02 of the Indenture, including, without limitation, amounts required to replenish the Bond Reserve Account to the Bond Reserve Account Requirement in the event of deficiencies therein. Notwithstanding the foregoing, if five (5) Business Days prior to any interest or principal payment date with respect to the Bonds, the aggregate amount in the Revenue Fund (other than Bond Reserve Account) is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Corporation shall forthwith pay the amount of any such deficiency to the Trustee. Each payment by the Corporation to the Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Trustee at its Trust Office, and shall be held, invested, disbursed and applied as provided in the Indenture. The Loan Repayments set forth in Exhibit A attached hereto represent the amounts required to pay debt service on the Bonds.

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Corporation to the Authority shall be paid to the Trustee as assignee of the Authority and this Loan Agreement and all right, title and interest of the Authority in any such payments are hereby assigned and pledged to the Trustee so long as any Bonds remain Outstanding.

Section 4.2. Additional Payments. In addition to the Loan Repayments, the Corporation shall also pay to the Authority or to the Trustee, as the case may be, "Additional Payments," as follows:

(a) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; *provided, however*, that the Corporation shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority, the Trustee or the Owners;

(b) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture and all amounts referred to in Section 11.13 of the Indenture, as and when the same become due and payable;

(c) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement or the Indenture;

(d) The Authority Issuance Fee, the Authority Annual Fee and the reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with this Loan Agreement, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving this Loan Agreement, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement or the Indenture; and

(e) Any amounts due and payable by the Corporation as arbitrage rebate under section 148 of the Code, pursuant to Corporation's covenants and agreements with respect thereto in this Loan Agreement.

Such Additional Payments shall be billed to the Corporation by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after the date of invoice. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the Corporation for payment of the Authority Annual Fee.

The Authority Issuance Fee and the initial Authority Annual Fee shall be paid to the Authority by the Corporation on the Closing Date. Thereafter, the Authority Annual Fee shall be due and payable by the Corporation in advance on July 1 of each year, commencing with the first such date following the Closing Date. The Trustee shall invoice the Corporation for the Authority Annual Fee on a *pro rata* basis (i.e., the annual fee shall be divided by the number of payments to be made during each annual period based on the number of interest payments), and the Corporation shall pay that amount as an Additional Payment in accordance with Section 4.1 hereof such that Trustee shall remit from those Additional Payments the Authority Annual Fee to the Authority when due. The Corporation's obligation to pay the Authority Issuance Fee and the Authority Annual Fee shall in no way limit amounts payable by the Corporation to the Authority under this Loan Agreement, including for the enforcement thereof.

### Section 4.3. Gross Revenue Fund.

(a) The Corporation agrees that, so long as any of the Loan Repayments remain unpaid, all of the Gross Revenues of the Corporation shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Corporation shall establish and maintain, subject to the provisions of subsection (b) of this Section 4.3, in an account or accounts at such banking institution or institutions as the Corporation shall from time to time designate in writing to the Trustee and to the Office for such purpose (the "Depository Bank(s)"). Subject only to the provisions of this Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein, the Corporation hereby pledges and, to the extent permitted by law, grants a security interest to the Authority and to the Trustee as assignee of the Authority and to the Office in, the Gross Revenue Fund and all of the Gross Revenues of the Corporation to secure the payment of Loan Repayments and the performance by the Corporation of its other obligations under this Loan Agreement and the Regulatory Agreement and with respect to Parity Debt. The Corporation shall execute and cause to be filed Uniform Commercial Code financing statements in form and substance satisfactory to the Office, shall execute a deposit account control agreement with the Depository Bank with respect to the security interest granted hereunder and shall execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary or reasonably requested by the Authority, the Office or the Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

(b) Amounts in the Gross Revenue Fund may be used and withdrawn by the Corporation at any time for any lawful purpose, except as hereinafter provided. In the event that the Corporation is delinquent for more than one Business Day in the payment of any Loan Repayment or any payment required with respect to Parity Debt, the Authority or the Trustee shall notify the Corporation, the Office and the Depository Bank(s) of such delinquency, and, unless such Loan Repayment or payment with respect to Parity Debt is paid within ten days after receipt of such notice, upon request of the Trustee shall, with the consent of the Office, cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Trustee, but only with the consent of the Office (provided that such consent shall be required only if the Contract of Insurance is in effect and the Office is not in default thereunder). All Gross Revenues of the Corporation shall continue to be deposited in the Gross Revenue Fund as provided in subsection (a) of this Section 4.3 but to the name and credit of the Trustee until the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all Loan Repayments and payments with respect to Parity Debt in default and all other Loan Default Events and events of default with respect to Parity Debt actually known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the Corporation. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use the withdrawn amounts in said fund from time to time to make Loan Repayments, Additional Payments, and the other payments required of the Corporation under this Loan Agreement or with respect to any Parity Debt as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due

on any date, then to the payment of Loan Repayments, Additional Payments and Debt Service on such Parity Debt ratably, according to the amounts due respectively for Loan Repayments and such Debt Service, without any discrimination or preference, and to such other payments in the order which the Trustee, in its discretion, shall determine to be in the best interests of the holders of the Bonds and such Parity Debt, without discrimination or preference, or as directed by the Office or the Owners of a majority in aggregate principal amount of the Bonds. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Corporation shall not be entitled to use or withdraw any of the Gross Revenues of the Corporation unless and to the extent that the Trustee, at its sole discretion (or as directed by the Office), so directs for the payment of current or past due operating expenses of the Corporation. The Corporation agrees to execute and deliver all instruments as may be required to implement this Section 4.3. The Corporation further agrees that a failure to comply with the terms of this Section 4.3 shall cause irreparable harm to the holders from time to time of the Bonds and of Parity Debt, and shall entitle the Trustee, with or without notice to the Corporation but with the consent of the Office (provided that such consent shall be required only if the Contract of Insurance is in effect and the Office is not in default thereunder), to take immediate action to compel the specific performance of the obligations of the Corporation as provided in this Section 4.3.

Section 4.4. Security for Corporation's Obligations. In consideration of the issuance of the Bonds and the loan of the proceeds thereof to the Corporation hereunder and to secure the payment of Loan Repayments and the performance of the other obligations of the Corporation hereunder, the Corporation hereby pledges and grants a security interest (subject to Permitted Encumbrances) to the Office and the Authority in the Facilities. The Corporation has entered into the Deed of Trust to further secure the Corporation's obligations hereunder. The Corporation agrees to execute and cause to be filed Uniform Commercial Code financing statements in form and substance satisfactory to the Office, and to execute and deliver such other documents (including, but not limited to, subordination agreements and continuation statements) as the Authority or the Office may reasonably require in order to perfect or maintain as perfected such security interest or give public notice thereof. The Deed of Trust, pursuant to its terms, may be amended and property released therefrom upon written notice to the Trustee with the consent of the Office without the necessity of obtaining the consent of the Authority, the Trustee or the Bondowners.

Section 4.5. Obligations of the Corporation Unconditional; Net Contract. The obligations of the Corporation to make the Loan Repayments and Additional Payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, setoff, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain Outstanding or any Additional Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Facilities, commercial frustration of purpose, any changes in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or

obligation arising out of or connected with this Loan Agreement or the Indenture. This Loan Agreement shall be deemed and constructed to be a “net contract,” and the Corporation shall pay absolutely net the Loan Repayments, Additional Payments and all other payments required hereunder, regardless of any rights of setoff, recoupment, abatement or counterclaim that the Corporation might otherwise have against the Authority or the Trustee or any other party or parties.

Section 4.6. Prepayment. The Corporation shall have the right at any time or from time to time to prepay all or any part of the Loan Repayments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the Corporation. All such prepayments (and the additional payment of any amount necessary to pay the applicable premiums, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Redemption Fund established pursuant to Section 5.01 of the Indenture and used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Indenture.

## ARTICLE V

### PARTICULAR COVENANTS

Section 5.1. Operation and Maintenance of the Facilities. The Corporation shall operate each Facility as a “health facility” as defined in the Act and shall maintain or cause to be maintained, throughout the term of this Loan Agreement, the Facilities as specified in Section IV of the Regulatory Agreement.

Section 5.2. Maintenance of Corporate Existence; Affiliation, Merger, Consolidation, Sale or Transfer.

(a) The Corporation shall maintain its existence as a nonprofit public benefit corporation of the State, operating a health facility and meeting the requirements of section 501(c)(3) of the Code, and shall not dissolve, sell or otherwise dispose of all or substantially all of its assets or affiliate with, consolidate with or merge into another Person or permit one or more other Persons to affiliate with, consolidate with or merge into it; provided, that the Corporation may, without violating the covenants contained in this Section 5.2, affiliate with, consolidate with or merge into another Person, or permit one or more other Persons to affiliate with, consolidate with or merge into it, or sell or otherwise transfer to another Person such assets, if:

(i) The Corporation obtains the written consent of the Office to such transaction and a Statement of the Office to the effect that the Contract of Insurance remains in full force and effect after such transaction;

(ii) The Office, the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such affiliation, merger, consolidation, sale or other transfer will not cause the interest on the Bonds to be included in gross income for federal income tax purposes under section 103 of the Code;

(iii) The surviving, resulting or transferee Person:

(A) assumes in writing all of the obligations of the Corporation under this Loan Agreement, the Contract of Insurance and the Regulatory Agreement, and agrees to fulfill and comply with the terms, covenants and conditions thereof and further consents to the terms of the Indenture;

(B) is not, after such transaction, otherwise in default under any provision of this Loan Agreement, the Contract of Insurance or the Regulatory Agreement and further consents to the terms of the Indenture;

(C) is an organization meeting the requirements of Section 501(c)(3) of the Code, or a corresponding provision of the federal income tax laws then in effect; and

(D) shall have fund balances at least equal to the fund balances of the Corporation prior to such transaction;

(iv) The Trustee, the Authority and the Office shall have received the report of a Management Consultant to the effect that Net Income Available for Debt Service of the surviving, resulting or transferee Person (after giving effect to such merger, consolidation, sale or other transfer) for each of the first two full Fiscal Years following such merger, consolidation, sale or other transfer is projected to be not less than the greater of Net Income Available for Debt Service of the Corporation for each of the two most recent Fiscal Years for which audited financial statements are available, as certified by an Accountant;

(v) The Trustee, the Authority and the Office shall have received a report of an Accountant to the effect that the net worth of the surviving, resulting or transferee Person, after giving effect to such merger, consolidation, sale or other transfer, is at least equal to 100 percent of the net worth of the Corporation immediately prior to such merger, consolidation, sale or other transfer; and

(vi) The Trustee, the Authority and the Office shall have received an Opinion of Counsel to the effect that this Loan Agreement, the Contract of Insurance and the Regulatory Agreement constitute the legal, valid and binding obligations of the surviving, resulting or transferee Person, as the case may be, enforceable against such Person in accordance with their respective terms.

(b) Notwithstanding the foregoing, the Corporation may, without complying with the provisions of subsection (a) of this Section 5.2, transfer substantially all of its assets to an Affiliate provided that:

(i) The Corporation obtains the written consent of the Office to such transaction and a Statement of the Office to the effect that the Contract of Insurance remains in full force and effect after such transaction;

(ii) The Office, the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such proposed transfer(s) will not cause the interest on the Bonds to be included in gross income for federal income tax purposes under section 103 of the Code;

(iii) Such Affiliate agrees to become a co-obligor and jointly and severally liable with the Corporation under the Regulatory Agreement and this Loan Agreement; and

(iv) After such transaction, the Corporation and the Affiliate are in compliance with the provisions of the Regulatory Agreement and this Loan Agreement.

In the event of such a transfer to an Affiliate, references in this Loan Agreement to indebtedness of the Corporation shall apply to the combined indebtedness of the Corporation and the Affiliate, and references to the financial condition or forecasted results of operations of

the Corporation shall apply to the consolidated financial condition or results of operations of the Corporation and the Affiliate.

(c) If an affiliation, merger, consolidation, sale or other transfer is effected, as provided in this Section 5.2, the provisions of this Section 5.2 shall continue in full force and effect, and no further affiliation, merger, consolidation, sale or transfer shall be effected except in subsequent accordance with the provisions of this Section 5.2.

Section 5.3. Rates and Charges; Debt Coverage; Current Ratio; Days Cash on Hand.

The Corporation shall operate the Facilities as revenue producing health care facilities. The Corporation shall fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, such rates, fees and charges which, together with all other receipts and revenues of the Corporation and any other funds available therefor, are reasonably projected to be sufficient in each Fiscal Year to produce Net Income Available for Debt Service equal to at least 1.25 times Maximum Aggregate Annual Debt Service for such Fiscal Year.

Section 5.4. Limitation on Encumbrances. The Corporation shall not create, assume or suffer to exist and shall immediately satisfy or release any mortgage, deed of trust, pledge, security interest, encumbrance, lien, attachment or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon the Facilities or the Gross Revenues; *provided, however,* that notwithstanding the foregoing provision, the Corporation may create, assume or suffer to exist Permitted Encumbrances.

Section 5.5. Limitation on Indebtedness. The Corporation shall not incur any indebtedness or financial obligations, including without limitation, by borrowing money, by assuming or guaranteeing the obligations of others, and by entering into installment purchase contracts or leases required to be capitalized in accordance with generally accepted accounting principles, except the Corporation may incur the following:

(a) Obligations and liabilities under this Loan Agreement, the Regulatory Agreement, this Loan Agreement, or the Indenture, including any supplements or amendments thereto or hereto in connection with the issuance of any additional series of Bonds; and

(b) any indebtedness or obligations of the Corporation consented to in writing by the Office.

Section 5.6. Limitations on Disposition of Property.

(a) *Disposition of Cash.* The Corporation shall not dispose of any cash or cash equivalents unless:

(i) the Corporation receives an asset or service of reasonably equivalent value for such cash or cash equivalents; or

(ii) such disposition has been consented to by the Office.

(b) *Disposition of Real Property.* So long as the Contract of Insurance is in effect, the Corporation shall not sell, lease, sublease, assign, transfer, encumber or otherwise dispose of all or any part or parts of the real property described in Exhibit A to the Regulatory Agreement, including the buildings and structures thereon and fixtures and improvements of such real property, without the prior written consent of the Office.

(c) *Disposition of Personal Property.* The Corporation shall not sell, lease, sublease, assign, transfer, encumber or otherwise dispose of all or any part or parts of the Facilities not included in the preceding subsections (a) and (b), other than in the “ordinary course of business,” unless, so long as the Contract of Insurance is in effect, the Office gives its prior written consent to such disposition. “Ordinary course of business” shall be defined during the term of the Regulatory Agreement by the Office in the exercise of its sound and reasonable discretion, by the Office giving written notice thereof to the Corporation, which determination will become effective on receipt of such notice by the Corporation.

Except as provided in Section VI of the Regulatory Agreement concerning a disposition of substantially all of the Corporation’s assets, in no event shall the Corporation dispose of any part or parts of its Facilities in any Fiscal Year aggregating in excess of two and one-half percent (2-1/2%) of the Corporation’s net property, plant and equipment (as shown on the Corporation’s most recent audited financial statements), unless, so long as the Contract of Insurance is in effect, the Office gives its prior written consent to such disposition.

(d) *Execution of Releases.* In connection with a disposal of property, including cash, permitted by this Section 5.6, upon receipt of such consent by the Office, so long as the Contract of Insurance is in effect, or Statement of the Corporation required by this Section 5.6, the Office, the Authority and the Trustee shall execute and deliver releases from security interests or other documents reasonably requested by the Corporation.

Section 5.7. Limitation on Acquisition of Property. The Corporation shall not acquire additional property, plant and equipment (except (1) in the ordinary course of business, (2) with the proceeds of indebtedness permitted by Section 5.5, or (3) as part of a merger or consolidation permitted by Section 5.2) by gift (other than gifts of cash or personal property or gifts of real property if either (i) its use is residential or (ii) it is subject of a phase I environmental report indicating no contaminants), purchase, construction, merger or consolidation, unless, so long as the Contract of Insurance is in effect, the Office gives its prior written consent to such acquisition.

Section 5.8. Accounting Records, Financial Statements and Budget.

(a) The Corporation shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Corporation. Such books of record and account shall be available for inspection by the Authority, the Office and the Trustee at reasonable hours and under reasonable circumstances, all in accordance with Section XXIII of the Regulatory Agreement.

(b) The Corporation shall furnish the Authority, the Office and the Trustee, within thirty (30) days of receipt by the Corporation of its audited financial statements, and in any event within one hundred twenty (120) days after the end of each Fiscal Year (commencing with the Fiscal Year beginning on July 1, \_\_\_\_), with copies of its complete financial statements (including a balance sheet, a statement of revenues and expenses, a statement of changes in fund balances, a statement of changes in financial position and such other financial reports and schedules as may have been delivered to the Corporation in connection with such financial statements), together with (1) the report and opinion of an Accountant stating that the financial statements have been prepared in accordance with generally accepted accounting principles (with such exceptions as are not objected to by the Authority or the Office) and that such Accountant's examination was performed in accordance with generally accepted auditing standards, and (2) a Certificate of the chief financial officer of the Corporation stating that no event which constitutes a Loan Default Event or which with the giving of notice or the passage of time or both would constitute a Loan Default Event has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Corporation to cure such default. The Corporation shall also furnish the Office (and the Authority upon request) with unaudited quarterly financial statements within forty-five (45) days of the end of each calendar quarter.

(c) The Corporation shall, at any reasonable time and from time to time, upon prior written notice, permit the Authority and the Trustee, and their respective representatives and agents, to (i) inspect the premises and the accounting records and books of the Corporation for the purpose of verifying compliance by the Corporation with the covenants contained herein and all of the terms of the Act, (ii) examine and make copies of and abstracts from the accounting records and books of account of the Corporation, (iii) discuss the affairs, finances and accounts of the Corporation with any of its officers or directors and (iv) upon notice to the Corporation, communicate with the Corporation's independent certified public accountants.

Section 5.9. Licensing. The Corporation shall maintain all permits, licenses and other governmental approvals necessary for the operation of the Facilities.

Section 5.10. Compliance with United States and California Constitutions. The Corporation shall not restrict, nor grant preferences in, admissions to its Facilities on racial or religious grounds. In each year on the date the Corporation is required to provide the Corporation's audited financial statements in accordance with Section XXIII of the Regulatory Agreement, the Corporation will furnish to the Authority a Certificate of the Corporation stating that (i) no facility, place or building financed or refinanced with any portion of the proceeds of the Bonds has been used primarily for sectarian instruction or study or is a place for devotional activities or religious worship and (ii) the Corporation does not restrict use of the Facilities on racial or religious grounds. The Authority and its designees shall have the right to inspect the Facilities at all reasonable times for the purpose of verifying the foregoing Certificate of the Corporation and due compliance by the Corporation with the Constitutions of the United States and of the State. This covenant shall survive the payment in full or defeasance of the Bonds.

Section 5.11. Tax-Exempt Status of Bonds. The Corporation shall at all times do and perform all acts and things permitted by law and this Loan Agreement and the Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Authority and the Corporation agree that it will comply with the provisions of the Tax Agreement which are incorporated herein. This covenant shall survive termination of this Loan Agreement and the defeasance or redemption of the Bonds.

Section 5.12. Prohibited Uses.

(a) No portion of the proceeds of the Bonds will be used to finance or refinance any facility, place or building used or to be used primarily for sectarian instruction or study or as a place for devotional activities or religious worship and the Corporation will not use the facilities financed or refinanced with the proceeds of the Bonds, during the useful life thereof (irrespective of whether the Bonds are at the time Outstanding) for any such purposes.

(b) No portion of the proceeds of the Bonds will be used to finance or refinance any facility, place or building used or to be used by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization (including the Corporation) in an Unrelated Trade or Business, in such manner or to such extent as would result in any of the Bonds being treated as an obligation not described in section 103(a) of the Code.

Section 5.13. Continuing Disclosure. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Loan Agreement, failure of the Corporation to comply with the Continuing Disclosure Certificate shall not be considered a Loan Default Event; however, the Trustee shall, at the request of the Holders of at least 25% aggregate principal amount in Outstanding Bonds, to the extent indemnified to its satisfaction from any liability, cost or expense, including fees and expenses of its attorneys, or any Bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.13. For purposes of this Section 5.13, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Section 5.14. Compliance with the Indenture. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Indenture to be performed by the Corporation.

Section 5.15. Acquisition, Construction and Installation of the Project. The Corporation shall acquire, construct and install the Project or cause such Project to be acquired, constructed and installed and shall proceed with due diligence and use its best efforts to cause the construction and installation of the Project to be completed by the third anniversary of the date of delivery of the Bonds, delays beyond the reasonable control of the Corporation only

excepted. The Corporation has entered or will enter into purchase commitments and agreements which provide, in the aggregate, for the acquisition, installation and construction of the Project in accordance with the Project Plans by such date and at a price which will permit completion of the Project for an amount not to exceed the amount of money deposited in the Project Fund and other available funds. The Corporation hereby grants to the Authority, until completion of the Project, all rights of access necessary for the Authority to carry out its obligations and to enforce its rights hereunder. It is expressly understood and agreed that the Authority and the Trustee shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project or any expense incurred in connection with the Project and that all such costs and expenses shall be paid by the Corporation. The acquisition, installation and construction of the Project shall be in accordance with all applicable zoning, environmental, planning and building regulations, and the Corporation shall obtain all necessary governmental permits, licenses, certificates, authorizations and approvals necessary to be obtained for the acquisition, installation, construction and operation of the Project.

Section 5.16. Disbursements from the Project Fund. Disbursements will be made from the Project Fund to pay the costs of the Project and subject to the terms and conditions set forth in the Indenture. In the event that amounts in the Project Fund are not sufficient to pay the costs of the Project in full, the Corporation nevertheless shall complete or cause the completion of the Project and shall pay at its own expense all such costs of completing the Project in excess of amounts available in the Project Fund, from its own funds, without any diminution or postponement of any Loan Repayment or Additional Payment and without any right of reimbursement from the Authority or the Trustee.

Section 5.17. Project Plans. The Corporation shall keep the Project Plans open to inspection by the Authority and the Trustee at the administrative offices of the Corporation during normal business hours. The Corporation may revise the Project Plans from time to time, provided that, if such revisions change the scope of the Project or if any such revision shall increase the cost of the Project by more than five hundred thousand dollars (\$500,000), the Corporation shall first file with the Trustee and the Authority a Certificate describing the proposed revision and certifying that such revision (i) will not result in the completion of the Project after the third anniversary of the date of delivery of the Bonds (unless such revision is necessary for reasons beyond the reasonable control of the Corporation), and (ii) does not increase the estimated unpaid costs of the Project beyond the amount then on deposit in the Project Fund together with other funds available therefor.

## ARTICLE VI

### MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION

Section 6.1. Maintenance and Operation of the Facilities. The Corporation shall operate and maintain the Facilities in accordance with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the Corporation. The Corporation shall maintain and operate the Facilities and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Facilities in good repair, working order and condition, and the Corporation shall from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements; in each case to the extent necessary so that the efficiency and value of the Facilities shall not be impaired.

Section 6.2. Taxes, Assessments, Other Governmental Charges and Utility Charges. The Corporation shall pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Facilities, the Gross Revenues or the interest therein of the Trustee (as assignee of the Authority) or of the Owners of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Facilities or any part thereof, and, upon request, will furnish to the Authority receipts for all such payments, or other evidences satisfactory to the Authority; *provided, however*, that the Corporation shall not be required to pay any tax, assessment, rate or charge as herein provided as long as it shall in good faith contest the validity thereof, provided that the Corporation shall have set aside adequate reserves with respect thereto.

Section 6.3. Insurance Required. The Corporation agrees to insure the Facilities during the term of this Loan Agreement for such amounts and for such occurrences as are customary for similar facilities within the State of California, or as may be required by the Office pursuant to the Regulatory Agreement, by means of policies issued by reputable insurance companies qualified to do business in the State of California. The Corporation agrees to deliver, upon request, to the Authority, the Office and the Trustee memorandum copies of the insurance policies or certificates of insurance covering the Facilities, and a certification by an insurance consultant that the insurance on the Facilities meets the above requirements.

## ARTICLE VII

### NONLIABILITY OF AUTHORITY; EXPENSES; INDEMNIFICATION

Section 7.1. Nonliability of Authority. The Authority shall not be obligated to pay the principal of, Redemption Price and interest on the Bonds, including any prepayments, except from Revenues. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member of the Authority is pledged to the payment of the principal of, Redemption Price or interest on the Bonds. Neither the Authority nor its members, officers, directors, agents or employees, or their successors and assigns, shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Loan Agreement.

The Corporation hereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation pursuant to this Loan Agreement (and, if required, the Deed of Trust), together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, Redemption Price or interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, Redemption Price or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Corporation, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor but solely, in the case of the Authority, from Revenues, other than with respect to any deficiency caused by the willful misconduct of the Authority.

Section 7.2. Compensation and Expenses. The Corporation agrees to pay the Trustee its fees as set forth in a separate fee schedule. The Corporation covenants and agrees to pay and to indemnify the Authority and the Trustee against all costs, fees and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith or arising out of or in connection with this Loan Agreement, the Indenture, the Regulatory Agreement, the Contract of Insurance or the Deed of Trust. These obligations and the obligations in Section 7.3 hereof shall remain valid and in effect notwithstanding repayment of the Loan made hereunder or the termination of this Loan Agreement or the termination or defeasance of the Indenture.

#### Section 7.3. Indemnification.

(a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the Authority, the Trustee and each of their respective past, present and future officers, members, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims,

actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Indenture, the Loan Agreement, the Regulatory Agreement, the Contract of Insurance or the Deed of Trust or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation or any of its agents, contractors, servants, employees or licensees in connection with the Project or the Facilities, the operation of the Project or the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or the Facilities or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all *ad valorem* taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Project or the Facilities;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or the Facilities or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes;

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except (A) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the Authority or any of its officers, members,

directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any Indemnified Party to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Section 4.2, Section 7.2, this Section 7.3 and Section 8.4 shall survive the final payment or defeasance of the Bonds, the termination of this Loan Agreement or the termination or defeasance of the Indenture and in the case of the Trustee any resignation or removal. The Trustee's rights to compensation, reimbursement and indemnification as set forth in Sections 4.2, 7.2 and 7.3 hereof shall survive the resignation or removal of the Trustee and the termination of this Loan Agreement.

Section 7.4. Waiver of Personal Liability. No director, member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

## ARTICLE VIII

### LOAN DEFAULT EVENTS AND REMEDIES

Section 8.1. Loan Default Events. The following events shall be “Loan Default Events”:

(a) Failure by the Corporation to pay in full any payment required hereunder when due, whether at maturity, upon a date fixed for prepayment, by declaration or otherwise pursuant to the terms hereof;

(b) If any representation or warranty made by the Corporation herein or in any document, instrument or certificate furnished to the Trustee or the Authority in connection with the issuance of the Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(c) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement or the Regulatory Agreement on its part to be observed or performed, other than as referred to in subsection (a) or (b) of this Section 8.1 for a period of thirty (30) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority, the Office or the Trustee; except that, if such failure or breach can be remedied but not within such thirty (30) day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such thirty (30) day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Office;

(d) If the Corporation shall abandon the Facilities, or any substantial part thereof and such abandonment shall continue for a period of thirty (30) days after written notice thereof shall have been given to the Corporation by the Authority or the Trustee;

(e) If any default shall exist under any agreement respecting Long-Term Indebtedness (other than Parity Debt) and if, as a result thereof, Long-Term Indebtedness in an aggregate principal amount in excess of ten percent (10%) of the Corporation's Adjusted Annual Operating Revenues shall be declared immediately due and payable or a proceeding is brought for enforcement thereof; *provided, however*, that a Loan Default Event shall not exist under this clause (e) if the Corporation establishes cash reserves acceptable to the Office for the payment of such Long-Term Indebtedness which, in the opinion of the Office, are adequate;

(f) If any default shall exist under any instrument pursuant to which Parity Debt was issued and is Outstanding, and such default shall continue after the applicable grace period;

(g) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities;

(h) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(i) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation or of the whole or any substantial part of the Facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control; or

(j) If any Event of Default under the Indenture shall occur.

Upon having actual knowledge (as defined in the Indenture) of the existence of a Loan Default Event, the Trustee shall give written notice thereof to the Corporation unless the Corporation has expressly acknowledged the existence of such Loan Default Event in a writing delivered by the Corporation to the Trustee or filed by the Corporation in any court.

Section 8.2. Remedies on Default. If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Authority or the Trustee, to the extent the Trustee has actual knowledge (as defined in the Indenture) of such Loan Default Event, may, subject to its rights and protections under the Indenture, with the consent of the Office provided that such consent shall otherwise be required only so long as the Contract of Insurance is in effect and the Office is not in default of its obligations thereunder, take any one or more of the following remedial steps:

(a) The Authority or the Trustee may, upon notice in writing to the Corporation, declare all installments of Loan Repayments and Additional Payments payable for the remainder of the term of this Loan Agreement to be immediately due and payable, whereupon the same shall be immediately due and payable, anything in this Loan Agreement to the contrary notwithstanding; “all installments” as used in this subsection shall mean an amount equal to the entire principal amount of the then Outstanding Bonds, together with all interest accrued or to accrue on and prior to the next succeeding redemption date or dates on which the Bonds can be redeemed after giving notice to the Holders thereof as required by the Indenture.

(b) The Authority or the Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the Loan Repayments, Additional Payments and any other payments then due and thereafter to become due under this Loan Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Loan Agreement to be observed or performed by the Corporation.

(c) The Authority and the Trustee as its assignee shall have all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State, and the general laws of the State, with respect to the enforcement of the security interests granted or reserved

hereunder, including without limitation to the extent permitted by law the right to require that all or a portion of the personal property portion of the Facilities be assembled and delivered to the Trustee and the Trustee may, to the extent permitted by law, impound books and records evidencing the Corporation's accounts, accounts receivable and other similar claims for the payment of money and take possession of all notes and other documents which evidence such accounts, accounts receivable and claims for money and give notice to obligors thereunder of its interest therein and make direct collections on such accounts, accounts receivable and claims for money.

(d) The Authority or the Trustee may take whatever legal action may appear necessary or desirable to enforce their rights and the rights of the Holders of the Bonds under the Deed of Trust.

Section 8.3. Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it contained in this Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the Trustee, and the Trustee may exercise any rights of the Authority under this Loan Agreement, and the Trustee and the Holders of the Bonds shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.4. Expenses on Default. In the event the Corporation should default under any of the provisions of this Loan Agreement and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due hereunder, the Corporation agrees that it will on demand therefor pay to the Authority or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable expenses so incurred by the Authority or the Trustee.

Section 8.5. Notice of Default. The Corporation agrees that, as soon as is practicable, and in any event within ten (10) days of a Loan Event Default, the Corporation will furnish the Trustee notice of any event which is a Loan Default Event pursuant to Section 8.1 hereof which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Corporation proposes to take with respect thereto.

Section 8.6. Assignment by Authority or Trustee. This Loan Agreement, including the right to receive payments required to be made by the Corporation hereunder and to compel or otherwise enforce performance by the Corporation of its other obligations hereunder and thereunder, may be assigned and reassigned in whole or in part to one or more assignees or

subassignees by the Authority or the Trustee or the Office at any time subsequent to its execution without the necessity of obtaining the consent of the Corporation. The Authority expressly acknowledges that all right, title and interest of the Authority in and to this Loan Agreement (excluding the Authority's right to indemnification, fees and expenses, and to receive notices and its rights to give approvals, and consents to amendments) has been assigned to the Trustee, as security for the Bonds under and as provided in the Indenture, and that if any Loan Event Default shall occur, the Trustee shall be entitled to act hereunder in the place and stead of the Authority.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Further Assurances. The Corporation agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Loan Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 9.2. Notices. All notices, requests or communications required or permitted to be given in this Loan Agreement shall be in writing and mailed or delivered to the party whom notice is to be given either (i) by personal delivery (in which case such notice shall be deemed to have been duly given on the date of delivery if delivered before 4:00 p.m., and if after 4:00 p.m., it shall be deemed to have been duly given on the next business day after delivery of the notice), (ii) by Federal Express or other similar air courier service (in which case notice shall be deemed to have been duly given on the next business day after delivery of the notice to the air courier service), or (iii) by United States mail, first class, postage prepaid, registered or certified (in which case such notice shall be deemed to have been duly given on the third (3rd) business day following the date of mailing), and properly addressed as follows:

If to the Authority: California Municipal Finance Authority  
2111 Palomar Airport Road, Suite 320  
Carlsbad, CA 92011  
Attention: Financial Advisor

If to the Corporation: \_\_\_\_\_  
314 North Main Street  
Porterville, CA 93257  
Attention: Chief Executive Officer

If to the Trustee: \_\_\_\_\_  
One California Street, Suite 1000  
San Francisco, CA 94111  
Attention: Corporate Trust Services

To the Office: Office of Statewide Health Planning and Development  
400 R Street, Suite 470  
Sacramento, CA 95811  
Attention: Deputy Director, Cal-Mortgage Loan Insurance Division  
cminsure@oshpd.ca.gov

Section 9.3. Governing Law. This Loan Agreement shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State. This Loan Agreement shall be enforceable in the State, and any action arising out of this Loan Agreement shall be filed and maintained in San Diego County Superior Court, San Diego, California, unless the Authority expressly waives this requirement.

Section 9.4. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Authority, the Corporation and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 9.5. Severability of Invalid Provisions. If any one or more of the provisions contained in this Loan Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Loan Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Loan Agreement, and this Loan Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Corporation each hereby declares that it would have entered into this Loan Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

Section 9.6. Loan Agreement Represents Complete Agreement; Amendments. This Loan Agreement represents the entire contract between the parties as to the Corporation's obligation to repay the loan made pursuant to this Loan Agreement. This Loan Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Corporation and the Authority and the concurring written consent of the Trustee and the Office, given in accordance with the provisions of the Indenture.

Section 9.7. Execution of Counterparts. This Loan Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 9.8. Term of Loan Agreement. Except as otherwise provided herein, this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Indenture.

Section 9.9. Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal (or Redemption Price) and interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

IN WITNESS WHEREOF, the Authority and the Corporation have caused this Loan Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

CALIFORNIA MUNICIPAL FINANCE  
AUTHORITY

By \_\_\_\_\_  
Member, Board of Directors

\_\_\_\_\_

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**EXHIBIT A**

**LOAN REPAYMENT SCHEDULE**

<b>Interest Payment <u>Date</u></b>	<b>Principal <u>Component</u></b>	<b>Interest <u>Component</u></b>	<b><u>Total</u></b>
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