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**CONTRACT OF INSURANCE**

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**LOAN NO. \_\_\_\_**

**STATE OF CALIFORNIA  
OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT**

THIS CONTRACT OF INSURANCE, dated as of \_\_\_\_\_ 1, 20\_\_, and effective as of \_\_\_\_\_, 20\_\_, is by and among \_\_\_\_\_, a California nonprofit public benefit corporation (the "Corporation"), the OFFICE OF STATEWIDE HEALTH PLANNING AND DEVELOPMENT OF THE STATE OF CALIFORNIA (the "Office") and the CALIFORNIA MUNICIPAL FINANCE AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California (the "Authority");

WHEREAS, the Office is authorized to enter into this Contract of Insurance pursuant to California Health and Safety Code Sections 127045 and 129105;

WHEREAS, the Director of the Office is authorized to enter into this Contract of Insurance on behalf of the Office pursuant to California Health and Safety Code Section 127010 and California Government Code Section 11150, *et seq.*;

WHEREAS, the undersigned Deputy Director of the Office was appointed by the Director of the Office to act on the Director's behalf pursuant to Delegation Order 11-02, effective June 1, 2011, and is so authorized by California Health and Safety Code Section 7 and California Government Code Sections 1194, 7 and 18572;

WHEREAS, the Corporation is authorized to enter into this Contract of Insurance pursuant to the Corporation's resolution dated \_\_\_\_\_, 20\_\_;

WHEREAS, the Authority is authorized to enter into this Contract of Insurance pursuant to the Authority's resolution dated \_\_\_\_\_, 20\_\_;

WHEREAS, the Authority desires to issue its Insured Refunding Revenue Bonds (\_\_\_\_\_), Series \_\_\_\_, in the aggregate principal amount of \_\_\_\_\_ dollars (\$\_\_\_\_\_) (the "Bonds"), pursuant to an Indenture, dated as of \_\_\_\_\_ 1, 20\_\_ (the "Indenture"), by and between the Authority and \_\_\_\_\_, as trustee (the "Trustee"), and to lend the proceeds of the Bonds to the Corporation pursuant to a Loan Agreement, dated as of \_\_\_\_\_ 1, 20\_\_ (the "Loan Agreement"), between the Authority and the Corporation, which shall be secured by a deed of trust, dated as of \_\_\_\_\_ 1, 20\_\_ (the "Deed of Trust"), on certain of the Corporation's property and a pledge of the Corporation's Gross Revenues;

WHEREAS, the Corporation desires to obtain the Health Facility Construction Loan Insurance (the "Insurance") insuring the payment of the Bonds, and the Office is willing to extend the Insurance;

WHEREAS, the Office has reviewed the final form of the Bonds, the Indenture, the Loan Agreement, the Deed of Trust and the American Land Title Association title insurance policies (issued by \_\_\_\_\_ Title Company) insuring the Corporation's fee title to that property which is subject to the Deed of Trust and naming the Trustee and the Office as beneficiaries, as their interests may appear;

WHEREAS, the Office has approved the Corporation's application for insurance of the Bonds; and

WHEREAS, in consideration of the Insurance and in order to comply with the requirements of Chapter 1, Part 6, Division 107 of the Health and Safety Code of the State of California, cited as the "California Health Facility Construction Loan Insurance Law," as now in effect and as it may, from time to time, hereafter be amended or supplemented (the "Insurance Law"), the Corporation, the Office and the Authority have entered into a regulatory agreement, dated as of \_\_\_\_\_ 1, 20\_\_, and effective as of \_\_\_\_\_, 20\_\_ (the "Regulatory Agreement"), regulating the terms and conditions of the Insurance of the Bonds;

NOW, THEREFORE, in consideration of these presents and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto mutually agree, and agree for the benefit of the holder of the Bonds from time to time and the Trustee, as follows:

Section 1. Definitions. Unless the context clearly otherwise requires, all capitalized terms used herein shall have the meanings assigned to such terms in the Regulatory Agreement or in the Indenture.

Section 2. Insurance. The Office hereby declares and agrees that the Bonds are eligible for the Insurance under the Insurance Law and that the payment to the Trustee of the principal of and the accrued and unpaid interest on the insured principal of the Bonds and, such other costs and expenses required by the Insurance Law, are insured. However, payments from the Trustee to the Bondowners are not insured.

Section 3. Incontestability. Pursuant to Insurance Law Section 129110, such Insurance shall be incontestable from the date of the execution of this Contract of Insurance. The Office hereby waives its right pursuant to Insurance Law Section 129110 to contest the Insurance in case of fraud or misrepresentation on the part of the lender (as defined in Insurance Law Section 129010(j)).

Section 4. Approval of Documents. The Office approves the execution and delivery of the Loan Agreement, the Indenture and the Deed of Trust.

Section 5. Completion of Project. The Corporation shall refinance the Project with all practical dispatch and in an economic manner.

Section 6. Disbursement of Proceeds. Prior to each disbursement of funds to the Corporation pursuant to the provisions of the Indenture, the Corporation shall apply to the Office by submission of the Office's Form OSH-CM-134 and supporting documentation, for an authorization of the disbursement of funds to the Corporation pursuant to the Indenture, pursuant to Insurance Law Section 129030. Certification by the Office of the Form OSH-CM-134 submitted to the Office by the Corporation shall constitute the Office's authorization and consent to the disbursement of funds to the Corporation.

Section 7. Compliance with Law and Documents. The Authority and the Corporation shall, to the extent they are respectively obligated thereunder, comply with the Insurance Law and the terms, conditions and covenants of the Bonds, the Loan Agreement, the Indenture, the Deed of Trust, the Regulatory Agreement and this Contract of Insurance.

Section 8. Premium Payment. Simultaneously with the execution and delivery of this Contract of Insurance, the Corporation has paid a one time premium for the Insurance of \$\_\_\_\_\_ to the Office which premium is wholly earned on the inception of the Contract of Insurance.

Section 9. Termination of Insurance. The Insurance provided herein may be terminated by the Office only upon the occurrence of any of the following:

(a) *Payment of Insurance by the Office*. Upon the payment in full by the Office of the Insurance of the Bonds and there are no Bonds Outstanding.

(b) *Payment of Bonds; Defeasance*. Upon the payment in full of the principal of and the accrued and unpaid interest on the Bonds (including defeasance of the Bonds) and all other amounts owing to the Owners and the Trustee under the Indenture so that the Bonds are not Outstanding.

(c) *Joint Request*. Upon the joint written request of the Authority, the Corporation and all the Owners as provided in Insurance Law Section 129185.

This Contract of Insurance shall not be terminable at the option of the Office as a result of (i) failure of the Trustee or any other party to convey property foreclosed upon or otherwise acquired, or (ii) failure of the Trustee to deliver Bonds for exchange as provided in Section 9(c) above. This Contract of Insurance shall not be contestable as a result of fraud or misrepresentation by the Authority or for any other reason.

Section 10. Successors Bound. This Contract of Insurance shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, successors in office or interest, and assigns, and shall be directly enforceable by the Trustee. The Office hereby consents to the Authority's assignment of its rights under this Contract of Insurance to the Trustee.

Section 11. Severability of Invalid Provisions. The invalidity of any clause, part, or provision of this Contract of Insurance shall not affect the validity of the remaining portions hereof so long as the Insurance remains in effect.

Section 12. Agreement Represents Complete Agreement; Amendments. Except as otherwise provided herein, this Contract of Insurance represents the entire contract among the parties. This Contract of Insurance may be amended, changed or modified by the written agreement of the Office and the Corporation, provided that such amendment, change or modification shall not materially adversely affect the Owners.

Section 13. Headings and References. The headings or titles of the several sections, subsections and subdivisions hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Contract of Insurance. All references herein to "sections," "subsections" and other subdivisions are to the corresponding sections, subsections or subdivisions of this Contract of Insurance. The words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Contract of Insurance as a whole and not to any particular section, subsection or subdivision hereof. Words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 14. Governing Law; Venue. The laws of the State of California shall govern this Contract of Insurance, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Contract of Insurance shall be brought, commenced or prosecuted in Sacramento County, California.

Section 15. Attorneys' Fees. In the event of any action at law or in equity between the parties hereto to interpret or enforce any of the provisions of this Contract of Insurance, the non-prevailing party or parties to such litigation shall pay to the prevailing party or parties all costs and expenses, including reasonable fees of the Trustee for Bondowners, and actual attorneys' fees, incurred therein by such prevailing party or parties; and if such prevailing party or parties shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees may be included in and as part of such judgment. The prevailing party shall be the party who is entitled to recover its costs of suit, whether or not the suit proceeds to final judgment. A party not entitled to recover its costs of suit shall not recover attorneys' fees.

Section 16. Execution in Counterparts. This Contract of Insurance may be executed in any number of counterparts, each of which shall be deemed for all purposes to be an original and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have duly executed this Contract of Insurance as of the day and year first above written.

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

OFFICE OF STATEWIDE HEALTH  
PLANNING AND DEVELOPMENT

By: Robert P. David, Director

By \_\_\_\_\_  
Carl A. McLaney  
Deputy Director

CALIFORNIA MUNICIPAL FINANCE  
AUTHORITY

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