

FINANCING AGREEMENT

by and among

COULEE MEDICAL FOUNDATION, the Issuer

**DOUGLAS, GRANT, LINCOLN & OKANOGAN COUNTIES PUBLIC HOSPITAL
DISTRICT NO. 6**, the District

U.S. BANK NATIONAL ASSOCIATION, the Trustee

and

RED MORTGAGE CAPITAL, INC., the Lender

Relating to

\$23,165,000

Coulee Medical Foundation

**Taxable Revenue Build America Bonds (Direct Pay)
(GNMA Collateralized-Coulee Medical Center)**

Series 2009A

Dated as of October 1, 2009

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this “Financing Agreement”) is made and entered into as of October 1, 2009 by and among **COULEE MEDICAL FOUNDATION**, a Washington nonprofit corporation formed pursuant to Chapter 24.03 of the Revised Code of the State of Washington and a resolution of the District (together with its successors and assigns, the “Issuer”), **DOUGLAS, GRANT, LINCOLN & OKANOGAN COUNTIES PUBLIC HOSPITAL DISTRICT NO. 6**, d/b/a Coulee Medical Center, a public hospital district organized and operating under the laws of the State of Washington (the “District”), **U.S. BANK NATIONAL ASSOCIATION**, a national banking association, as trustee (together with its successors and assigns, the “Trustee”) under a Trust Indenture of even date herewith between the Issuer and the Trustee (the “Indenture”), and **RED MORTGAGE CAPITAL, INC.**, an Ohio corporation (together with its successors and assigns, the “Lender”).

RECITALS

WHEREAS, the Issuer was formed by the District pursuant to Chapter 24.03 of the Revised Code of the State of Washington and is intended by the District to comply with the requirements of Internal Revenue Service Revenue Ruling 63-20; and

WHEREAS, pursuant to the terms of a site lease dated as of October 29, 2009 (the “Site Lease”) by and between the District, as lessor, and the Issuer, as lessee, the Issuer will lease the real property which will be used as the site (the “Site”) for the Project from the District for a term of 50 years from the date thereof, and the Issuer will lease the Site together with all improvements and equipment back to the District to operate the Project pursuant to an operating lease dated as of October 29, 2009 (the “Operating Lease”) by and between the Issuer, as lessor, and the District, as lessee; and

WHEREAS, the Issuer has duly authorized the issuance of its \$23,165,000 aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized-Coulee Medical Center), Series 2009A (the “Bonds”) on a draw down basis and on behalf of the District in order to finance the costs of the acquisition, construction and equipping of the Project; and

WHEREAS, to effect the financing of the Project, the Issuer will issue, sell and deliver the Bonds and deposit the proceeds of the Bonds with the Trustee; the Lender will originate a mortgage loan to the Issuer (the “Mortgage Loan”); the Mortgage Loan will be evidenced by the Issuer’s deed of trust note (the “Mortgage Note”) in favor of the Lender and secured by a leasehold deed of trust (the “Leasehold Mortgage”) on the Project; the Mortgage Loan as originated by the Lender will be insured by the Federal Housing Administration (the “FHA”), an organizational unit within the United States Department of Housing and Urban Development (“HUD”) pursuant to Section 242 of the National Housing Act of 1934, as amended (the “National Housing Act”); and, to provide security for the Bonds, the Trustee will use the proceeds of the Bonds to purchase from the Lender fully modified mortgage-backed securities (the “GNMA Securities”) which will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (“GNMA”);

NOW, THEREFORE, in consideration of the respective representations, covenants and agreements hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.01. Definitions.

Terms used in this Financing Agreement shall have the meanings given to them by the Indenture, unless the context clearly indicates otherwise.

Section 1.02. Rules of Construction.

The words “hereof,” “herein,” “hereunder,” “hereto” and other words of similar import refer to this Financing Agreement in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

References to Articles, Sections and other subdivisions of this Financing Agreement are to the designated Articles, Sections and other subdivisions of this Financing Agreement as originally executed.

The headings of this Financing Agreement are for convenience only and shall not define or limit the provisions hereof. Exhibit A attached hereto is incorporated herein as if set forth in full in the body of this Financing Agreement.

The parties acknowledge that each party and its respective counsel have participated in the drafting and/or revision of this Financing Agreement and the Indenture. Accordingly, the parties agree that any rule of construction which would disfavor the drafting party shall not apply in the interpretation of this Financing Agreement or the Indenture or any Supplement or exhibit hereto or thereto.

ARTICLE II.

REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

Section 2.01. Representations and Warranties of the Issuer.

The Issuer makes the following representations and warranties:

(a) **Authority.** The Issuer, a Washington nonprofit corporation formed pursuant to Chapter 24.03 of the Revised Code of the State of Washington, is authorized and empowered by the provisions of the resolution authorizing the issuance of the Bonds to enter into the transactions contemplated by the Financing Documents, including this

Financing Agreement and the Indenture and to carry out its obligations hereunder and thereunder, and by proper action of its governing body has been duly authorized to execute and deliver the Financing Documents, including this Financing Agreement, the Indenture, the Continuing Disclosure Agreement and each of the FHA Loan Documents executed and delivered by the Issuer. The Issuer is organized, and its activities and purpose are permitted, under the general nonprofit corporation law of the State and is not organized for profit. Corporate income of the Issuer does not and will not inure to any private person.

(b) **Pledge.** The Bonds are to be issued and secured by the Indenture, pursuant to which certain of the Issuer's interests in the Indenture, and the revenues and income to be derived by the Issuer pursuant to the Indenture, will be pledged and assigned to the Trustee as security for payment of the principal, premium, if any, and interest on the Bonds. The Issuer covenants that it has not and will not pledge or assign its interest in the Indenture, or the revenues and income derived pursuant to the Indenture, excepting Reserved Rights of the Issuer, other than to the Trustee under the Indenture to secure the Bonds.

(c) **Purpose.** The Issuer finds and determines that the financing of the Project is in the public interest and in furtherance of the corporate purposes of the Issuer and in compliance with the provisions of the Bond Resolution.

(d) **Binding Agreements.** Financing Documents, including this Financing Agreement, the Indenture, the Continuing Disclosure Agreement and each of the FHA Loan Documents executed and delivered by the Issuer have been properly executed, constitute valid and legally binding obligations of the Issuer and are fully enforceable against the Issuer in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and, with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose.

(e) **Litigation.** There is no litigation or proceeding pending or, to the knowledge of the Issuer, threatened against the Issuer or the Project before any court or administrative agency which, in the opinion of the Issuer or its counsel, if determined adversely to the Issuer, will materially adversely affect the Issuer or the Project or the authority of the Issuer to enter into the Financing Documents, including this Financing Agreement, the Indenture, the Continuing Disclosure Agreement or any of the FHA Loan Documents executed and delivered by the Issuer.

(f) **Conflicts; Defaults.** There is (i) no provision of the Bond Resolution or other organizational documents or resolutions of the Issuer and no provision of any existing mortgage, indenture, contract or agreement binding on the Issuer or affecting any of the Issuer's property, and (ii) to the best of the Issuer's knowledge, no provision of law or order of court is binding upon the Issuer or affecting any of the Issuer's property, in either case which would conflict with or in any way prevent the execution, delivery or performance of the terms of this Financing Agreement, the Indenture, the Continuing

Disclosure Agreement or any of the FHA Loan Documents executed and delivered by the Issuer, or which would be in default or violated as a result of such execution, delivery or performance. The Issuer is not in material default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which it is a party.

(g) ***Title to Property.*** Pursuant to the Site Lease, the Issuer has a leasehold interest in the Project free and clear of any liens or encumbrances (other than the Leasehold Mortgage and other encumbrances on the Project permitted by FHA).

(h) ***Compliance With Laws.*** The Project is of the type authorized and permitted by the Bond Resolution and will, from the Closing Date forward, be operated in compliance with the provisions of the Bond Resolution. The Issuer will use due diligence to cause the Project to be operated in accordance with the Bond Resolution and all other laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof. The Issuer has obtained or will cause to be obtained all requisite approvals of the State and of other federal, state, regional and local governmental bodies for the acquisition, construction and equipping of the Project.

(i) ***Payment of Certain Fees.*** The Issuer shall pay all fees under the Mortgage Note and any cash, collateral and fees required by FHA, the Lender and GNMA in connection with the Mortgage Loan.

(j) ***Acquisition of PLC.*** The Issuer acknowledges that if the Acquisition Fund has not been disbursed to acquire the PLC on or before October 31, 2012, except as such date may be extended pursuant to Section 4.03 of the Indenture, the Issuer will lose its right to utilize such funds, and the obligations of the Trustee hereunder and under the Indenture to accept the PLC shall terminate.

(k) ***Issuer Understanding.*** The Issuer 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 it is a party or of which it is a beneficiary, including, without limitation, the Indenture; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Project; and that it has not relied on the Lender for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Financing Agreement and the Indenture or otherwise relied on by the Lender.

(l) ***Environmental Law Compliance.*** The Issuer has not received any notice that it is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (“CERCLA”); the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State (the “Environmental Laws”) or with any rules, regulations and administrative orders of any governmental agency or with any judgments, decrees or

orders of any court of competent jurisdiction with respect thereto; and the Issuer has not received any assessment, notice (primary or secondary) of liability or financial responsibility, and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to a site listed on any federal or state listing of sites containing or believed to contain “hazardous materials” (as defined in the Environmental Laws), nor has the Issuer received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

(m) ***Intent To Hold Project.*** Upon execution of the Site Lease and the Operating Lease, the Issuer intends to maintain the Site Lease and the Operating Lease pursuant to their terms. Following the redemption or discharge of the Bonds and prepayment of the Mortgage Note, the Issuer’s leasehold interest in the Project will terminate and be returned to the District.

(n) ***Project Location.*** The Project is located entirely within the geographical boundaries of Grand Coulee, Washington and the District. The Project has a substantial connection to the Issuer.

(o) ***Trustee’s Right of Access to the Project.*** The Issuer agrees that during the term of this Financing Agreement the Trustee and its duly authorized agents shall have the right during regular business hours, with reasonable notice, to enter upon the premises and examine and inspect the Project.

(p) ***Maintenance and Repair; Insurance.*** The Issuer will maintain the Project in a reasonably safe and sound operating condition, making from time to time all reasonably needed material repairs thereto, and shall maintain reasonable amounts of insurance coverage with respect to the Project and shall pay all costs of such maintenance, repair and insurance. Subject to the requirements of HUD and FHA, the proceeds of fire or other casualty insurance policies received in connection with damage to or destruction of the Project will be used as set forth in the FHA Documents and after such compliance, any proceeds remaining shall (a) be used to reconstruct the property, regardless of whether the insurance proceeds are sufficient to pay for the reconstruction, or (b) be remitted to the District.

(q) ***Annual Certificate.*** The Issuer shall furnish to the Trustee on or before October 20 of each year, commencing on October 20, 2010, a certificate of the Issuer signed by the Authorized Issuer Representative stating that the Issuer has made a review of its activities during the preceding 12 months for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Financing Agreement and the Indenture and the Issuer has kept, observed, performed and fulfilled each and every covenant, provision and condition of this Financing Agreement and the Indenture on its part to be performed and is not in default in the performance or observance of any of the terms, covenants, provisions or conditions hereof, or if the

Issuer shall be in default, such certificate shall specify all such defaults and the nature thereof.

(r) ***Exclusive Beneficial Possession.*** It is the Issuer's intent that for as long as the Bonds remain outstanding, (a) the District will maintain and have exclusive beneficial possession and use of the Project and (b) the Issuer will not issue any other obligations for any entity other than the District. Once the Bonds are discharged, unencumbered fee title and exclusive possession and use of the Project, including any additions thereto, will vest solely with the District, without demand or further action on its part.

(s) ***Application of Bond Proceeds.*** All of the original proceeds and investment proceeds of the Bonds will be used to provide tangible real property or tangible personal property. Proceeds are considered to provide tangible property only if the proceeds are used (a) to finance costs that a taxpayer must charge to the property's capital account, may elect to charge to the property's capital account instead of deducting, or may elect to deduct instead of charging to the property's capital account, and (b) to fund a reasonably required reserve fund within the meaning of Section 148 of the Code.

(t) ***63-20 Compliance.*** The Issuer hereby represents that it will not take any action that would cause the Issuer not to be an issuer acting on behalf of the District in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 promulgated by the Internal Revenue Service.

Section 2.02. Representations, Warranties and Undertakings of the Lender.

In addition to the other representations and covenants of the Lender contained herein, the Lender hereby represents and warrants as follows:

(a) ***Corporate Authority.*** The Lender (i) is a duly and lawfully organized corporation under the laws of the State of Ohio and is duly authorized to transact business in the State or is not required to be so authorized, (ii) is organized and operated for the purposes, among others, of making mortgage loans to provide financing for the acquisition, construction and equipping of hospital and related health care facilities and of issuing mortgage-backed securities guaranteed by GNMA to obtain funds to make such mortgage loans, (iii) has full lawful power and authority under its organizational documents and applicable laws to execute and deliver this Financing Agreement, to issue and deliver the GNMA Securities and to perform its obligations hereunder and thereunder and (iv) by proper action has duly authorized the execution and delivery of this Financing Agreement and the issuance, execution and delivery of the GNMA Securities.

(b) ***Binding Agreements.*** This Financing Agreement and the GNMA Securities constitute the legal, valid and binding obligations of the Lender enforceable in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and, with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose, provided that the GNMA Securities do not constitute a

liability of, or evidence any recourse against, the Lender, since the GNMA Securities are based on and backed by the Leasehold Mortgage, and recovery may be made from GNMA in the event of any failure of timely payment as provided for in the GNMA Securities and the GNMA Guaranty Agreement.

(c) ***No Conflicting Agreements.*** The execution and delivery of this Financing Agreement and the issuance and delivery of the GNMA Securities, and the consummation of the transactions contemplated hereby and thereby, do not conflict with or constitute a breach of or a default under the Lender's organizational documents or under the terms and conditions of any agreement or commitment to which the Lender is a party or by which the Lender is bound.

(d) ***Litigation.*** There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency, public board or body pending or, to the knowledge of the Lender, threatened against the Lender which questions or affects the power or authority of the Lender to carry out the transactions contemplated by, or to be performed under, this Financing Agreement or the GNMA Securities.

(e) ***Lender as FHA-approved Servicer.*** The Lender (i) is approved by FHA to originate and service mortgage loans insured by FHA under Section 242 of the National Housing Act and applicable regulations thereunder and (ii) meets all the issuer eligibility requirements (including net worth requirements) of, and is approved by, GNMA to issue mortgage-backed securities guaranteed by GNMA pursuant to Section 306(g) of the National Housing Act and applicable regulations thereunder.

(f) ***Eligibility of Leasehold Mortgage for GNMA Guarantee.*** To the Lender's knowledge, the Project, including the Leasehold Mortgage, meets the eligibility requirements set forth in the GNMA Mortgage-Backed Securities Guide as of the Closing Date. The Lender warrants and represents that, at all times until the PLC Delivery Date, it will reserve its commitment authority pursuant to GNMA's Commitment to Guaranty Mortgage-Backed Securities for the benefit of the Trustee and the Issuer sufficient to fully fund at any time the total amount of the Mortgage Loan and has paid or will pay to GNMA the fees for such commitment.

(g) ***Approval of Indenture.*** The Indenture has been submitted to the Lender for examination, and the Lender acknowledges, by execution of this Financing Agreement, that it has reviewed and understands the Indenture with respect to the payment to the Lender for the acquisition of the GNMA Securities, and it hereby agrees to use its best efforts to satisfy the terms of the Indenture as they relate to the purchase and delivery of the GNMA Securities.

(h) ***Events Affecting Tax Exemption.*** The Lender shall not knowingly take any action that would adversely affect the status of the Bonds as "Build America Bonds" under Section 54AA(g) of the Code, provided that nothing herein shall be construed so as to restrict or adversely affect the duties and obligations of the Lender under the Contract of Mortgage Insurance between the Lender and HUD with respect to the Mortgage Loan

or the Guaranty Agreement with respect to the GNMA Securities. The parties hereto acknowledge that the Lender has no knowledge of the rules and regulations governing Build America Bonds and shall not be obligated to make any inquiry into such rules and regulations.

(i) ***Fees of Lender.*** The fees charged by the Lender in connection with making the Mortgage Loan are reasonable and customary for financings of the kind represented by the Mortgage Loan and do not exceed the fees that would have been charged by the Lender for making the Mortgage Loan if the funds for the financing had been provided other than from the Bonds or from obligations the interest on which is exempt from federal income taxes.

(j) ***Delivery of Documents and Certificates.*** The Lender covenants to make reasonable efforts to deliver such documents and certificates to the Trustee as shall be required hereunder and under the Indenture in connection with the disbursement of the moneys in the Acquisition Fund and the delivery of the GNMA Securities.

(k) ***Lender's Certificate.*** The Lender covenants that the certifications in the Lender Certificate delivered on the Closing Date are true and correct in all material respects and agrees that they shall be incorporated herein by reference.

Section 2.03. Warranty of Truth.

The Issuer covenants that no written information, certificate, statement in writing or report provided by the Issuer as required by this Financing Agreement or otherwise furnished by the Issuer to the Trustee in connection with this Financing Agreement, the Indenture or the Bonds will contain any untrue statement of a material fact or omit a material fact required to be stated therein or necessary to make such information, certificate, statement or report not materially misleading.

The Lender covenants that no information, certificate, statement in writing or report to the Issuer or the Trustee required by this Financing Agreement to be prepared by the Lender will knowingly contain any untrue statement of a material fact or omit a material fact required to be stated therein or necessary to make such information, certificate, statement or report not misleading.

Section 2.04. Designation of Bonds.

The Issuer hereby makes an irrevocable election to designate the Bonds as “qualified bonds” under Section 54AA(g) of the Code.

Section 2.05. Representations and Warranties of the District.

The District makes the following representations and warranties:

(a) ***Authority.*** The District, a municipal corporation, organized as a public hospital district of the State of Washington pursuant to Title 70 Chapter 70.44 of

Washington Revised Statutes, as amended, is authorized and empowered by the provisions of the District Resolution to authorize the Issuer to issue the Bonds and to enter into the transactions contemplated by this Financing Agreement and the Lease Documents and to carry out its obligations hereunder and thereunder, and by proper action of its governing body has been duly authorized to execute and deliver this Financing Agreement and each of the Lease Documents executed and delivered by the District.

(b) **Purpose.** The District finds and determines that the financing of the Project is in the public interest and in furtherance of the corporate purposes of the District and in compliance with the provisions of the Bond Resolution.

(c) **Binding Agreements.** This Financing Agreement and each of the Lease Documents executed and delivered by the District have been properly executed, constitute valid and legally binding obligations of the District and are fully enforceable against the District in accordance with their respective terms, subject to bankruptcy, insolvency or other laws affecting creditors' rights generally, and, with respect to certain remedies which require, or may require, enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose.

(d) **Litigation.** There is no litigation or proceeding pending or, to the knowledge of the District, threatened against the District or the Project before any court or administrative agency which, in the opinion of the District or its counsel, if determined adversely to the District, will materially adversely affect the District or the Project or the authority of the District to enter into this Financing Agreement, the Indenture, the Continuing Disclosure Agreement or any of the FHA Loan Documents executed and delivered by the District.

(e) **Compliance With Laws.** The Project is of the type authorized and permitted by the Bond Resolution and will, from the Closing Date forward, be operated in compliance with the provisions of the Bond Resolution. The District will use due diligence to cause the Project to be operated in accordance with the Bond Resolution and all other laws, rulings, regulations and ordinances of the State and the departments, agencies and political subdivisions thereof. The District has obtained or will cause to be obtained all requisite approvals of the State and of other federal, state, regional and local governmental bodies for the acquisition, construction and equipping of the Project.

(f) **Environmental Law Compliance.** The District has not received any notice that it is not in compliance with all provisions of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"); the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act of 1986; the Toxic Substances Control Act and all environmental laws of the State (the "Environmental Laws") or with any rules, regulations and administrative orders of any governmental agency or with any judgments, decrees or orders of any court of competent jurisdiction with respect thereto; and the District has not received any assessment, notice (primary or secondary) of liability or

financial responsibility, and no notice of any action, claim or proceeding to determine such liability or responsibility, or the amount thereof, or to impose civil penalties with respect to a site listed on any federal or state listing of sites containing or believed to contain “hazardous materials” (as defined in the Environmental Laws), nor has the District received notification that any hazardous substances (as defined under CERCLA) that it has disposed of have been found in any site at which any governmental agency is conducting an investigation or other proceeding under any Environmental Law.

(g) ***Intent To Hold Project.*** Upon execution of the Site Lease and the Operating Lease, the District intends to maintain the Site Lease and the Operating Lease pursuant to their terms. Following the redemption or discharge of the Bonds and prepayment of the Mortgage Note, the Issuer’s leasehold interest in the Project will terminate and be returned to the District.

(h) ***Project Location.*** The Project is located entirely within the geographical boundaries of Grand Coulee, Washington and the District. The Project has a substantial connection to the District.

(i) ***Trustee’s Right of Access to the Project.*** The District agrees that during the term of this Financing Agreement the Trustee and its duly authorized agents shall have the right during regular business hours, with reasonable notice, to enter upon the premises and examine and inspect the Project.

(j) ***Maintenance and Repair; Insurance.*** The District will maintain the Project in a reasonably safe and sound operating condition, making from time to time all reasonably needed material repairs thereto, and shall maintain reasonable amounts of insurance coverage with respect to the Project and shall pay all costs of such maintenance, repair and insurance. Subject to the requirements of HUD and FHA, the proceeds of fire or other casualty insurance policies received in connection with damage to or destruction of the Project will be used as set forth in the FHA Documents and after such compliance, any proceeds remaining shall (a) be used to reconstruct the property, regardless of whether the insurance proceeds are sufficient to pay for the reconstruction, or (b) be remitted to the District.

(k) ***Exclusive Beneficial Possession.*** It is the District’s intent that for as long as the Bonds remain outstanding, (a) the District will maintain and have exclusive beneficial possession and use of the Project and (b) the Issuer will not issue any other obligations for any entity other than the District. Once the Bonds are discharged, unencumbered fee title and exclusive possession and use of the Project, including any additions thereto, will vest solely with the District, without demand or further action on its part.

(l) ***Application of Bond Proceeds.*** All of the original proceeds and investment proceeds of the Bonds will be used to provide tangible real property or tangible personal property. Proceeds are considered to provide tangible property only if the proceeds are used (a) to finance costs that a taxpayer must charge to the property’s

capital account, may elect to charge to the property's capital account instead of deducting, or may elect to deduct instead of charging to the property's capital account, and (b) to fund a reasonably required reserve fund within the meaning of Section 148 of the Code.

(m) **63-20 Compliance.** The District hereby represents that it will not take any action that would cause the Issuer not to be an issuer acting on behalf of the District in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 promulgated by the Internal Revenue Service. The District agrees to take any reasonable action necessary, including the amendment of documents, to maintain such status of the Issuer.

Section 2.06. Rebate Analyst.

The Issuer agrees to appoint and pay the Rebate Analyst which shall calculate and determine the Rebate Amount, if any, as provided in Section 4.06 of the Indenture and to otherwise perform all duties under said Section 4.06 of the Indenture. The Issuer agrees to pay to the Trustee within 30 days after the end of each Rebate Period the amount determined by the Rebate Analyst that must be deposited into the Rebate Fund. The obligations created by this Section 2.06 shall survive the termination of this Agreement.

ARTICLE III.

THE FINANCING TRANSACTION

Section 3.01. Financing Structure.

(a) The Lender agrees, subject to the terms and conditions of this Financing Agreement and the Commitment, to make the Mortgage Loan to the Issuer in an amount equal to the aggregate principal amount of the Mortgage Loan. The Issuer agrees, subject to the terms and provisions hereof, to issue the Bonds, which shall be as delivered on a draw down basis, and to make the proceeds thereof available to purchase the GNMA Securities. The Issuer agrees, subject to the terms and conditions of this Financing Agreement, to use the proceeds of the Mortgage Loan to acquire, construct and equip the Project.

(b) The Trustee is authorized and directed pursuant to Section 3.03 hereof and Sections 4.03 and 4.04 of the Indenture to use moneys in the Acquisition Fund and, with respect to payment of accrued interest, in the Bond Fund, to make interim advances to purchase CLCs with respect to the Project, at the price specified in Section 3.03(f) hereof. Upon issuance of the PLC by the Lender, the Trustee, on behalf of the Issuer, has been authorized and directed under the Indenture to purchase the PLC from the Lender through exchanging the CLCs previously acquired by the Trustee and with funds remaining in the Acquisition Fund and with respect to the payment of accrued and unpaid interest on the PLC with funds in the Bond Fund in accordance with Section 3.03 hereof and Sections 4.03 and 4.04 of the Indenture, at a price specified in Section 3.03(g) hereof. The Trustee agrees to acquire the CLCs and the PLC as set forth herein and in the Indenture.

(c) Pursuant to the GNMA Mortgage-Backed Securities Guide, the Lender agrees to make all payments on the GNMA Securities in accordance with their terms, provided such agreement shall not be construed as the Lender's guaranty. In the event Commencement of Amortization occurs prior to the PLC Delivery Date, under no circumstances shall the Lender pass through to the Trustee principal payments on the Mortgage Note prior to the PLC Delivery Date unless required to do so by GNMA, FHA or as otherwise permitted under the Indenture. Such principal payments shall be paid by the Lender only as a prepayment of the PLC.

(d) Nothing herein shall be construed to impose a duty on the Trustee to purchase GNMA Securities in a principal amount in excess of \$23,165,000.

(e) The Issuer agrees to remit to the Lender any amounts which the Trustee is required to pay the Lender but for which sufficient funds to make such payments are not available under the Indenture.

Section 3.02. Delivery of the GNMA Securities.

(a) The Issuer and the Lender agree to use their best efforts to deliver to the Trustee the CLCs in connection with the funding of each construction advance by the Trustee from the Acquisition Fund and to deliver the PLC in exchange for the CLCs as soon as practicable after final endorsement of the Mortgage Note. The Issuer and the Lender expect to deliver the PLC to the Trustee on or before October 31, 2012. Neither the Issuer nor the Lender has actual knowledge of a material fact that causes it to believe that the PLC will not be delivered to the Trustee on or before such date.

(b) The Lender immediately shall deliver to the Trustee any CLCs held by it with respect to the Bonds (i) if the PLC has not been delivered to the Trustee on or before October 31, 2012 (or such later date as permitted under Section 4.03 of the Indenture) or (ii) if it knows that, for any reason, the PLC will not be delivered to the Trustee, provided that the Trustee shall purchase such CLCs in accordance with Section 3.03 hereof.

Section 3.03. The GNMA Securities; Disbursements From the Acquisition Fund.

(a) The obligation of the Trustee to acquire the Initial CLC on behalf of the Issuer is subject to the provisions of Section 4.03(b) of the Indenture and receipt on, and, whenever practicable, at least two Business Days before, the date of acquisition of such Initial CLC by the Trustee of the following documents:

(i) the Initial CLC issued to the Trustee in a principal amount not to exceed amounts available in the Acquisition Fund as of the date of delivery of the CLC, bearing interest at the Pass-Through Rate, maturing on November 15, 2012 and delivered to the Trustee within 30 days of its date of issuance (which shall be the first day of a month);

(ii) a copy of the Application for Insurance of Advances of Mortgage Proceeds pertaining to the Initial Advance, executed by the Lender and approved by FHA;

(iii) a certificate of the Lender certifying that, to its actual knowledge, it is not in default under this Financing Agreement; and

(iv) a GNMA prospectus relating to the GNMA Securities.

The parties hereto agree that the following items shall be delivered to the Trustee on the Closing Date:

(i) a copy of the executed and recorded Leasehold Mortgage certified by the title company as a true copy;

(ii) a copy of the executed Mortgage Note initially endorsed by FHA evidencing the Mortgage Loan;

(iii) a copy of a mortgagee's policy of title insurance issued with respect to the Project; and

(iv) a copy of the executed and recorded FHA Regulatory Amendment.

(b) After acquisition of the Initial CLC and except for the disbursement relating to the Final Advance, the Trustee shall make periodic advances of moneys available in the Acquisition Fund and the Bond Fund to the Lender, on behalf of the Issuer, to acquire subsequent CLCs or to fund Mortgage Loan advances prior to delivery of CLCs related to such advances, but only in accordance with the conditions of Section 4.03(b)(ii) of the Indenture and the terms and provisions of the Commitment and this Financing Agreement.

The obligation of the Trustee to make interim Mortgage Loan advances and to acquire subsequent CLCs is further subject to the timely receipt by the Trustee of all payments due on previously delivered CLCs and is also subject to receipt by the Trustee of the documents required by Section 4.03(b)(ii) of the Indenture.

The Trustee shall review each CLC delivered to it in connection with the initial advance and each interim advance to ensure that (i) the amount of such CLC, when added to all previous CLCs issued to the Trustee, does not exceed \$23,165,000, (ii) such CLC bears interest at the Pass-Through Rate, (iii) such CLC matures on November 15, 2012 (unless otherwise extended pursuant to Section 4.03 of the Indenture) and (iv) such CLC is delivered to the Trustee by the last day of the month in which it was issued.

(c) The Trustee shall deliver to the Lender as requested its authorization to cancel all CLCs held by it upon issuance by the Lender and delivery of the PLC on the PLC Delivery Date; provided, however, that the CLCs shall not be so canceled if the principal balance of the Mortgage Note as of the PLC Delivery Date is less than the aggregate principal amount of such CLCs unless the Lender has paid to the Trustee, as a partial prepayment of such CLCs, an amount equal to the difference between the then current outstanding principal balance of the Mortgage Note as of the PLC Delivery Date and the aggregate principal amount of the CLCs.

(d) The obligation of the Trustee to acquire the PLC is subject to the provisions of Section 4.03(b)(iii) of the Indenture and receipt of the PLC, together with a certificate of the Lender specifying the amount of regularly scheduled principal payments received by the Lender on the Mortgage Loan prior to delivery of the PLC.

(e) All GNMA Securities issued with respect to the Mortgage Loan shall be dated the first day of a month, shall be delivered no later than the last day of the month in which the GNMA Securities are issued and shall pay interest on the fifteenth day of each month, commencing the fifteenth day of the month following the month of the date of issue. Interest payments on each CLC shall continue to be made to and including the earlier of its stated maturity or the fifteenth day of the month in which the PLC is dated.

(f) The Lender shall use its best efforts to deliver each CLC to the Trustee as soon as practicable after the date of issue thereof, but in no event later than the last day of the month in which it is issued. The Lender shall notify the Trustee at least five Business Days prior to the date on which the Trustee is expected to disburse funds from the Acquisition Fund to fund advances on the Mortgage Loan or to acquire a CLC. Upon disbursement to acquire the Initial CLC and any subsequent CLC, the Trustee shall pay to the Lender an amount equal to 100% of the principal amount thereof, plus accrued interest on each CLC at the Pass-Through Rate (calculated on the basis of 360-day year with twelve 30-day months) from the date of issue of each such CLC to, but not including, the date of its acquisition by the Trustee.

(g) The Lender shall use its best efforts to deliver the PLC to the Trustee as soon as practicable after Final Endorsement of the Mortgage Note, but in no event later than the last day of the month in which the PLC is issued. The principal amount of the PLC shall be equal to the then current outstanding principal balance of the Mortgage Note as of the PLC Issue Date, provided that if Commencement of Amortization has occurred prior to the issuance of the PLC, the Lender shall retain all payments of principal on the Mortgage Note representing amortization of the Mortgage Loan prior to the issuance of the PLC and remit such funds to the Trustee simultaneously with delivery of the PLC. The Lender shall notify the Trustee at least five Business Days prior to the date on which the Trustee is expected to acquire the PLC. Upon delivery of the PLC to the Trustee, the Trustee shall pay to the Lender an amount equal to the difference between 100% of the then current outstanding principal balance of the PLC and 100% of the aggregate outstanding principal amount of all CLCs theretofore acquired by the Trustee plus accrued interest on the difference described above at the Pass-Through Rate (calculated on the basis of a 360-day year with twelve 30-day months) to, but not including, the date of its acquisition and payment by the Trustee. The Lender shall use its best efforts to obtain GNMA approval and issuance of the PLC as soon as practicable.

The Issuer has no reason to believe that completion of the construction and equipping of the Project will not occur on or before October 1, 2012. The Issuer and the Lender expect to deliver the PLC to the Trustee before October 31, 2012. Neither the Issuer nor the Lender has actual knowledge of a material fact that causes it to believe that the Mortgage Note will not be finally endorsed by FHA prior to October 1, 2012. The parties acknowledge, however, that the Lender cannot issue the PLC until after final endorsement of the Mortgage Note by FHA and that

the Lender cannot guarantee or assure the parties that final endorsement will occur prior to October 1, 2012.

(h) All GNMA Securities shall be issued solely for the benefit of the Trustee on behalf of the Bondholders in accordance with the terms of this Financing Agreement and the Indenture and shall be registered in the name of the Trustee or its designee, and any and all payments received with respect to the GNMA Securities shall be solely for the benefit of the Bondholders, whether the GNMA Securities at the time of such payments are held by the Trustee or the Lender (at such times as are permitted under this Financing Agreement and the Indenture).

Section 3.04. Establishment of Completion Date.

The Completion Date with respect to the Project shall be evidenced to the Trustee by a certificate signed by the Issuer stating that (a) construction and equipping of the Project has been completed, with the exception of such incomplete items for which FHA has established an escrow and all costs of labor, services, materials and supplies used in such an construction and equipping have been paid for or provisions have been made for their payment; (b) all equipment necessary for the Project has been installed to its satisfaction, such equipment so installed is suitable for the efficient operation of the Project for the intended purposes, and all costs and expenses incurred in the acquisition and installation of such equipment have been paid; (c) all other facilities necessary in connection with the Project have been acquired, constructed, improved and equipped, and all costs and expenses incurred in connection therewith have been paid; and (d) the Project has been approved by HUD under the FHA Regulations as evidenced by final endorsement by FHA of the Mortgage Note for mortgage insurance. Notwithstanding the foregoing, such certificate shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Forthwith upon completion of the construction and equipping of the Project and final endorsement of the Mortgage Note for mortgage insurance, the Issuer agrees to cause such certificate to be furnished to the Trustee.

Section 3.05. Sufficiency of Funds.

The Issuer agrees that if the Issuer should pay any costs relating to the acquisition of the GNMA Securities other than from the proceeds of the Bonds, the Issuer shall not be entitled to any reimbursement therefor from the Lender, the Trustee or the Bondholders.

Section 3.06. Lender Loan to Issuer.

(a) Upon compliance with the terms and conditions of the Commitment and the Lender Commitment, the Lender agrees to make a loan to the Issuer in the amount of \$23,165,000 at an interest rate of 6.76% per annum to be evidenced by the Mortgage Note, which is to be insured by FHA on the terms and conditions specified herein. The Mortgage Loan (i) shall be insured by FHA pursuant to and in accordance with the provisions of Section 242 of the National Housing Act and applicable regulations thereunder, as evidenced by the endorsement by FHA of the Mortgage Note; (ii) shall be in such principal amount as may be approved by HUD, but in no event in excess of \$23,165,000; (iii) shall bear interest at the rate of 6.76% per annum; (iv) shall have a term of 299 months from the commencement of amortization

and mature on April 1, 2036; (v) shall be payable in equal monthly installments of principal and interest following Commencement of Amortization; (vi) may be secured on a nonrecourse basis pursuant to the FHA Loan Documents; and (vii) shall not be subject to prepayment prior to November 30, 2019 except that (A) the Mortgage Loan shall be subject to mandatory prepayment in whole or in part at any time from the proceeds of any casualty insurance, condemnation award or other amounts received following a partial or total destruction or condemnation of the Project, in the event and to the extent that such casualty proceeds, condemnation awards or other amounts are not applied to the repair or restoration of the Project in accordance with the FHA Loan Documents; (B) the Mortgage Loan shall be subject to prepayment from the proceeds of mortgage insurance or other amounts received with respect to the Mortgage Loan following the acceleration thereof upon the occurrence of an event of default under the Mortgage Loan or a foreclosure on the insured deed of trust; (C) the Mortgage Loan shall be subject to prepayment to the extent, if any, required by applicable rules, regulations, policies and procedures of FHA and GNMA (including the possible exercise by HUD of its right to override the prepayment lockout and premium provision of the Mortgage Loan under certain circumstances following an event of default thereunder); and (D) the Mortgage Loan shall be subject to optional prepayment on the date on and after November 30, 2019, upon payment of the following prepayment penalties (expressed as a percentage of the principal amount of the Mortgage Loan so prepaid), together with accrued interest to the end of the month of prepayment:

Prepayment Dates	Prepayment Penalty
November 30, 2019 through November 29, 2020	2%
November 30, 2020 through November 29, 2021	1%
November 30, 2021 and thereafter	0%

If the Mortgage Loan is prepaid in accordance with clause (vii) of the first paragraph of this Section 3.06, the Lender will give notice of such prepayment to the Trustee no later than the fifth day of the month in which the resulting prepayment of the CLCs or the PLC is to occur.

(b) The Lender’s obligation to make disbursements of Mortgage Loan proceeds (including the Initial Advance and the Final Advance) to the Issuer is conditional upon and subject to the closing of the Bonds and all the terms and conditions set forth in this Financing Agreement, the Lender Commitment and the FHA Loan Documents.

(c) In the event of a mandatory prepayment of the Mortgage Loan pursuant to the Mortgage Note, the Issuer hereby unconditionally covenants to exercise its option to reamortize the outstanding principal balance of the Mortgage Note in accordance with the terms of the Mortgage Note.

Section 3.07. Failure To Deliver PLC by the Date Required Under Indenture.

Any provisions in any other document to the contrary notwithstanding, in the event the PLC in a principal amount equal to the principal amount of the Mortgage Loan insured at final endorsement (without regard to any amortization payments which may have previously been

received by the Lender and held pursuant to the terms of this Financing Agreement) is not delivered to the Trustee by the date required therefor under the Indenture (as such date may be extended pursuant to the terms of the Indenture), funds held under the Indenture shall be used in accordance with the terms of the Indenture, and neither the Issuer nor the Lender shall be entitled to any use of such funds except as otherwise therein provided. Furthermore, if the Lender is unable to arrange for the exchange of the CLCs for the PLC by the date required therefor under the Indenture (as such date may be extended pursuant to the terms of the Indenture), the CLCs shall mature and their principal amount shall be payable on the CLC Maturity Date. Upon the CLC Maturity Date, the Trustee shall deliver all CLCs held by it to the Lender and demand immediate payment therefor.

The Issuer, the Lender, and the Trustee agree to comply with the requirements of Section 4.03 of the Indenture in the event it is necessary to extend the date of delivery of the PLC Delivery Date, and the Issuer agrees to pay all expenses in connection therewith. If the Issuer fails to make payment of such expenses, the Lender may do so at the expense of the Issuer.

Section 3.08. Payments by Issuer.

In addition to all payments required to be made with respect to the Mortgage Note, the Issuer agrees to make or cause to be made, the following additional payments to the extent not paid pursuant to the Mortgage Note:

(a) An amount equal to \$609,738 shall be deposited with the Trustee for deposit as follows: \$426,738 into the Cost of Issuance Fund and \$183,000 into the Bond Fund representing the initial deposit;

(b) All taxes and assessments of any type or character charged to the Trustee affecting the amount available to the Trustee to pay the principal of or interest on the Bonds or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental issuer 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 Issuer shall have the right to protest any such taxes or assessments and to require the Trustee, at the Issuer's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Issuer 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 Trustee;

(c) Not later than five days after notification from the Trustee or the dissemination agent, as applicable, the Issuer shall pay the pay the fees of the Trustee or the dissemination agent under the Continuing Disclosure Agreement, to the Trustee or the dissemination agent, as appropriate. The Issuer shall pay to the Trustee the fees of the Rebate Analyst when the same shall be due and payable;

(d) All fees, expenses and responsibilities of the Issuer to the Lender or of either the Issuer or the Lender to FHA or GNMA in connection with the Mortgage Loan;

(e) All fees and expenses required to obtain an extension of GNMA Delivery Dates or the PLC Delivery Date (including the funding of the Negative Arbitrage Account as required by the Rating Agency or otherwise) under Section 4.03 of the Indenture;

(f) In the event the Issuer is in default under any provision of this Financing Agreement or the FHA Loan Documents (subject to the nonrecourse provisions thereof), to the Trustee and the Lender, all reasonable fees and disbursements by such persons and their agents (including reasonable attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto, except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture;

(g) Upon the written demand of the Trustee, to the Trustee any amount required to be rebated to the United States of America pursuant to Sections 4.06 and 5.08 of the Indenture, to the extent that funds are not available therefor under the Indenture; and

(h) All fees and expenses required to obtain an extension of GNMA Delivery Dates, the CLC Maturity Date or the PLC Delivery Date.

Section 3.09. Issuer's Repayment of Mortgage Loan.

(a) The Issuer agrees to pay to the Lender the principal of, premium, if any, and interest on the Mortgage Loan at the times, in the manner, in the amounts and at the rate of interest provided in the Mortgage Note. Such rate of interest shall be sufficient to pay the ongoing GNMA guaranty and servicing fee and the Pass-Through Rate, which shall provide for the payment of the fees of the Trustee and Rebate Analyst.

(b) The obligation of the Issuer to make such Mortgage Loan payments (including payments due by reason of acceleration of the maturity of the Mortgage Note) under the Mortgage Note, subject to the nonrecourse provisions of the Leasehold Mortgage, shall be absolute and unconditional and shall not be subject to abatement, diminution, postponement or deduction, or to any defense other than payment or to any right of setoff, counterclaim or recoupment arising out of any breach under this Financing Agreement, the Indenture, the FHA Loan Documents or otherwise by the Issuer, the Lender, the Trustee or any other person or out of any obligation or liability at any time owing to the Issuer by any of the foregoing. Nothing herein contained, however, shall be interpreted to abridge the right of the Issuer to seek judicial remedy for any breach of covenant or contract in a separate legal proceeding.

(c) Notwithstanding the foregoing, neither the Issuer nor its Board nor any of its members, employees, agent or attorneys shall be personally liable for the amounts owing under this Financing Agreement, the Mortgage Note or the Leasehold Mortgage, and the remedies in the event of a default under this Financing Agreement, the Mortgage Note and the Leasehold Mortgage shall be limited to those remedies set forth herein. Nothing in this Section shall

preclude the Trustee or the Lender from proceeding directly against the Issuer in connection with the obligation of the Issuer to indemnify, to the extent permitted by law, the Trustee and the Lender under Section 5.08 hereof or to make any payment to the Trustee under said Section 5.08.

ARTICLE IV.

PAYMENTS; SPECIAL COVENANTS OF THE ISSUER

Section 4.01. Adequate Payments.

The Issuer further reconfirms its agreement in the Leasehold Mortgage, subject to the nonrecourse provisions thereof, to pay all costs of maintenance and repair, all taxes and assessments, insurance premiums (including public liability insurance and insurance against damage to or destruction of the Project) concerning or in any way related to the Project or any part thereof, and any expenses or renewals thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments concerning or in any way related to the Project.

In the event the Issuer is in default under any provision of this Financing Agreement or the FHA Loan Documents, and subject to the limitations imposed by FHA in connection with the Mortgage Loan, the Issuer, subject to Section 3.09(c) hereof, shall be liable to, and upon demand shall pay to, the Trustee and the Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably incurred in connection with the default or incidental thereto, except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture; provided, however, that the Issuer shall not be liable to the Trustee for any fees and disbursements arising out of a default caused by the negligence or willful misconduct of the Trustee. The provisions of this Section are in addition to, and not in limitation of, the provisions of Sections 5.07, 5.08 and 6.01 of this Financing Agreement.

Section 4.02. Operation of the Project.

The Issuer shall operate or cause the Project to be operated as an eligible project under Section 242 of the National Housing Act.

Section 4.03. Compliance With Applicable Laws.

All work performed in connection with the Project shall be performed in strict compliance with all applicable federal, state, county and municipal laws, ordinances, rules and regulations now in force or that may be enacted hereafter. The Issuer shall, through the term of this Financing Agreement and at no expense to the Trustee, promptly comply or cause compliance with all laws, ordinances, orders, rules, regulations and requirements of duly constituted public authorities which may be applicable to the Project or to the repair and alteration thereof, or to the use or manner of use of the Project, including, but not limited to the Americans with Disabilities Act, all federal, state and local environmental and health and safety

laws, rules, regulations and orders applicable to or pertaining to the Project, the Federal Worker Adjustment and Retraining Notification Act and the Prevailing Wage Act.

Section 4.04. Payments by Issuer.

The Issuer agrees that it shall pay all expenses incurred by it, including the expenses of its counsel and those incurred in closing the Mortgage Loan, and the fees and reasonable expenses of the Trustee required pursuant to Sections 4.03 of the Indenture. The Issuer shall also pay the costs of filing any financing statements pursuant to Section 5.04 of the Indenture and all costs and other amounts mentioned in Sections 5.07, 5.08, 6.01 and 7.04 hereof.

Section 4.05. Maintenance of Corporate Existence and Status.

The Issuer agrees that, except as permitted by Section 5.06 hereof, it will at all times maintain its existence as a Washington nonprofit corporation formed pursuant to Chapter 24.03 of the Revised Code of the State of Washington and that it will neither take nor fail to take any action nor, to the extent within its control, suffer any action to be taken by others which will alter, change or destroy its status as a Washington nonprofit corporation. The Issuer and the District each hereby represent that they will not take any action that would cause the Issuer not to be an issuer acting on behalf of the District in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 promulgated by the Internal Revenue Service. The District agrees to take any reasonable action necessary, including the amendment of documents, to maintain such status of the Issuer.

Section 4.06. Merger, Dissolution and Disposition of Property.

The Issuer covenants that it will maintain its existence as a Washington nonprofit corporation and will not dissolve or otherwise dispose of (in a single transaction or in a series of related transactions) all or a substantial part of its Property and will not permit one or more other corporations to consolidate with or merge with it, unless:

- (a) the company surviving such consolidation or merger or to whom such Property is conveyed (the “Surviving Corporation”) is either organized under the laws of the State or qualified to do business as a foreign corporation in the State;
- (b) the Surviving Corporation expressly assumes in writing all of the obligations of the Issuer under the FHA Loan Documents and this Financing Agreement as provided in Section 5.06 hereof; and
- (c) the Trustee shall receive such certifications and documentation as they may reasonably request.

Prior to such merger, consolidation or transfer of Property, the Issuer shall deliver to the Trustee a certificate signed by its President stating that all of the foregoing conditions have been satisfied, which certificate shall be supported, as to paragraphs (a) and (b) above, by an opinion of Counsel.

Section 4.07. Lender's Rights to Mortgage Loan.

The Lender shall, notwithstanding any provision hereof to the contrary, be entitled to assign its rights with respect to the Mortgage Loan to another entity which is an FHA-approved mortgagee and a GNMA Seller/Servicer in accordance with the rules and regulations of FHA and GNMA.

ARTICLE V.

ADDITIONAL COVENANTS AND AGREEMENTS

Section 5.01. Absolute and Unconditional Obligation; Limited Recourse.

The obligations of the Issuer under this Financing Agreement shall be absolute and unconditional and shall remain in full force and effect until the entire principal of, premium, if any, and interest on the Bonds and all amounts payable by the Issuer to the Lender or the Trustee under the Financing Documents shall have been paid or provided for, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including, without limitation, any of the following, whether or not with notice to, or the consent of, the Issuer:

- (i) the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Issuer under the Indenture;
- (ii) the failure to give notice to the Issuer of the occurrence of an event of default under the terms and provisions of this Financing Agreement, the FHA Regulatory Agreement, the Indenture, the Mortgage Note or the Leasehold Mortgage unless any such event of default is contingent upon the giving of notice or the opportunity of Issuer or any party on its behalf to cure the default;
- (iii) the waiver of the payment, performance or observance by the Issuer of any of the obligations, covenants or agreements of them contained in the Indenture, the Mortgage Note, the Leasehold Mortgage, the FHA Regulatory Agreement or this Financing Agreement;
- (iv) the extension of the time for payment of any principal of, premium, if any, or interest on any Bond or under this Financing Agreement or of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the Mortgage Note, the Leasehold Mortgage, the FHA Regulatory Agreement or this Financing Agreement;
- (v) the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture, the Mortgage Note, the Leasehold Mortgage or the FHA Regulatory Agreement;

(vi) the taking or the omission of any of the actions referred to in the Indenture, the Mortgage Note, the Leasehold Mortgage or the FHA Regulatory Agreement or any actions under this Financing Agreement;

(vii) any failure, omission, delay or lack on the part of the Trustee to enforce, assert or exercise any right, power or remedy conferred on the Trustee in this Financing Agreement or any document relating to the Bonds or the Indenture or any act or acts on the part of the Trustee or any of the holders from time to time of the Bonds;

(viii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshaling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustment of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer or any allegation or contest of the validity of this Financing Agreement in any such proceeding;

(ix) to the extent permitted by law, the release or discharge of the Issuer from the performance or observance of any obligation, covenant or agreement contained in this Financing Agreement by operation of law (other than the release or discharge from payment on the Mortgage Note); or

(x) the default or failure of the Issuer fully to perform any of its obligations set forth in this Financing Agreement.

The specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this paragraph that the obligations of the Issuer shall be absolute and unconditional to the extent herein specified and shall not be discharged, impaired or varied, except by the happening of any of the events specified in the first paragraph of this Section 5.01. Without limiting any of the other terms or provisions hereof, it is understood and agreed that, in order to hold the Issuer liable hereunder, there shall be no obligation on the part of the Trustee or any Bondholder to resort in any manner or form for payment to any other person, firm or occupation, their properties or estates.

Subject to the provisions of Section 9.11 hereof, except with respect to the obligations of the Issuer to indemnify, to the extent permitted by law, the Trustee, including, without limitation, the obligations set forth in Section 5.09 of this Financing Agreement, (a) the liability of the Issuer under this Financing Agreement and any other document relating to the Bonds to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Issuer's interest in the amounts held in the funds and accounts created under the Indenture or other documents relating to the Bonds, and such persons and entities shall look exclusively thereto or to such other security as may from time to time be given for the payment of obligations arising out of this Financing Agreement or any other agreement securing the obligations of the Issuer under this Financing Agreement; and (b) from and after the date of this Financing Agreement, no deficiency or other personal judgment, nor any order or decree of specific performance (other than pertaining to this Financing Agreement, any agreement,

pertaining to the Bonds or any other agreement securing the Issuer's obligations under this Financing Agreement), shall be rendered against the Issuer, the assets of the Issuer (other than the Issuer's interest in, this Financing Agreement, amounts held in the funds and accounts created under the documents relating to the Bonds, any rights of the Issuer under the documents relating to the Bonds or any rights of the Issuer under any guarantees relating to the Bonds), its officers, trustees or members or their heirs, personal representatives, successors, transferees or assigns, as the case may be, in any action or proceeding arising out of this Financing Agreement and the Indenture or any agreement securing the obligations of the Issuer under this Financing Agreement or any judgment order or decree rendered pursuant to any such action or proceeding.

Nothing contained herein shall in any way be construed to limit any indemnification provided by the Issuer, which is permitted by law, to the Trustee or any other person pursuant to any other agreement to which the Issuer is a party.

Section 5.02. No Defense.

No setoff, counterclaim, reduction or diminution of any obligation, or any defense of any kind or nature which the Issuer has or may come to have against the Trustee, shall be available hereunder to the Issuer against the Trustee other than the payment of sums owing.

Section 5.03. Waiver of Notice.

The Issuer hereby expressly waives notice from the Trustee or the owners of any of the Bonds from time to time of their acceptance and reliance on this Financing Agreement. The Issuer agrees to pay all reasonable costs, expenses and fees, including all reasonable attorneys' fees which may actually be incurred by the Trustee in enforcing or attempting to enforce this Financing Agreement following any default on the part of the Issuer hereunder, whether the same shall be enforced by suit or otherwise; provided, however, that the Issuer shall not be liable for any costs, expenses or fees incurred by the Trustee as a result of the Trustee's negligence, willful misconduct or breach of this Financing Agreement or the Indenture. The Trustee shall be entitled to the benefits of Article VII of the Indenture in the exercise of its rights and duties hereunder.

Section 5.04. Inspections.

The Issuer agrees that all equipment, buildings, plans, offices, apparatus, devices, books, contracts, records, documents and other papers relating to the Project shall at all times be maintained in reasonable condition for proper audit and shall, upon prior written notice and during regular business hours, be subject to examination and inspection at any reasonable time by the Trustee, the Lender or their authorized agents.

Section 5.05. Reports and Information.

At the request of the Trustee, their agents, employees or attorneys, the Issuer shall furnish to the Trustee, concurrently with delivery to the Lender or HUD, copies of any reports and information furnished to the Lender or HUD pursuant to the FHA Loan Documents. Additionally, the Issuer shall furnish to the Trustee, if so requested, such information as may be

reasonably requested in writing from time to time relative to compliance by the Issuer with the provisions of this Financing Agreement.

Section 5.06. Assignment.

No assignment or transfer of title to the Project shall be made unless (a) the Lender and HUD consent to such assignment or transfer, as long as the Mortgage Loan is held by the Lender and insured or held by FHA, which consent by the Lender shall not be unreasonably withheld and (b) the transferee or assignee, as the case may be, assumes all of the duties of the Issuer under this Financing Agreement and the FHA Loan Documents, subject to the provisions of such documents. Upon the assumption of the duties of the mortgagor under the Mortgage Note by an assignee as provided herein, the Issuer shall be released from all executory obligations so assumed. Nothing contained in this Section shall be construed to supersede any provisions regarding assignment and transfer of the Project contained in the FHA Loan Documents, FHA Regulations or FHA administrative requirements.

Section 5.07. Fees and Expenses.

The Issuer agrees to pay, whether out of the proceeds of the Mortgage Loan or other funds, all reasonable fees and expenses of the Trustee, the Rebate Analyst and the dissemination agent (including the reasonable fees actually incurred and expenses of their counsel) in connection with the issuance of the Bonds and the performance of their duties in connection with the transactions contemplated hereby, including, without limitation, all costs of recording and filing, to the extent such fees and expenses are not otherwise paid from the Costs of Issuance Fund in accordance with Section 3.08 hereof. All such amounts shall be paid directly to the parties entitled thereto for their own account as and when such amounts become due and payable. The Issuer will also pay any reasonable expenses in connection with any redemption of the Bonds.

The obligations of the Issuer under this Section shall survive the termination of this Financing Agreement and the payment and performance of all of the other obligations of the Issuer hereunder and under the FHA Loan Documents.

The parties hereby acknowledge and agree that any obligation of the Issuer to indemnify any entity or person shall not succeed to or become an obligation of FHA or HUD.

Section 5.08. Indemnification of the Lender and the Trustee.

To the extent permitted by law, the Issuer releases the Lender and the Trustee and their respective officers, employees and agents from, and shall protect, indemnify and save harmless the Lender and the Trustee and their respective officials, officers, employees and agents against and from, any and all liabilities, suits, actions, claims, demands, losses, expenses and costs of every kind and nature incurred by, or asserted or imposed against, the Trustee, the Lender and their respective officers, agents or employees, or any of them, (a) by reason of any default or event of default by the Issuer or its successors or assigns under this Financing Agreement, the Indenture, the Continuing Disclosure Agreement or any of the FHA Loan Documents; or (b) by reason of any accident, injury (including death) or damage to any person or property, however

caused (other than the negligence or willful misconduct of the Lender or the Trustee or its officers, agents or employees), resulting from, connected with or growing out of any act of commission or omission of the Issuer or any officers, employees, agents, assignees, contractors or subcontractors of the Issuer or any use, nonuse, possession, occupation, condition, operation, service, design, construction, acquisition, maintenance or management of, or on, or in connection with, the Project or any part thereof; or (c) resulting from any and all claims, actions, settlements or liability for acts or failure to act by any person, including, without limitation, the Issuer, the Trustee, the Lender or their respective officers, agents and employees in connection with the Project as set forth in this Section (other than the negligence or willful misconduct of the party claiming indemnification, or its officers, agents or employees); or (d) insofar as such liabilities, suits, actions, claims, demands, losses, expenses and costs arise out of or are based upon any untrue statement or allegedly untrue statement of a material fact contained in any offering documents distributed in connection with the issuance of the Bonds or the omission or alleged omission to state therein a material fact necessary or allegedly necessary in order to make the statements and information therein not misleading (other than a statement or omission resulting from the negligence, fraud or bad faith of the party claiming indemnification, or its respective officers, agents or employees, or any information describing the Lender or the Trustee, as the case may be); in any case regardless of whether such liabilities, suits, actions, claims, demands, damages, losses, expenses and costs be against or be suffered or sustained by the Lender or the Trustee or any of their respective officers, agents or employees, or be against or be suffered or sustained by legal entities, officers, agents or other persons to whom the Lender or the Trustee or any of their respective officers, agents or employees may become liable therefor. The Lender and the Trustee shall not be liable for any damage or injury occurring to the persons or property of the Issuer or any of its officers or agents, including operating personnel, contractors and employees, or any other person or entity who or which may be upon the Project, except for such damage or injury caused by such entity's willful misconduct or negligence.

The Issuer shall undertake to defend, at its sole cost and expense, any and all suits, actions and proceedings brought against the Lender or the Trustee or any of their respective officers, agents or employees in connection with any of the matters indemnified against in this Section. The persons so indemnified may also retain separate counsel in connection with such actions, suits or proceedings at the expense of the Issuer. The Lender and the Trustee shall give the Issuer timely notice of, and shall forward to the Issuer every demand, notice, summons or other process received with respect to, any claim or legal proceedings within the purview hereof, but the failure of the Lender or the Trustee to give such notice shall not affect its right to indemnification hereunder (unless such failure has prejudiced the Issuer's ability to defend or make claim regarding any such proceeding).

All acts, including any failure to act, relating to the Project and the Bonds by the Trustee or any agent, representative or designee of the Trustee are performed solely for the benefit of the Issuer, the Trustee and the Bondholders to assure repayment of the Mortgage Loan, and increase and maintenance of health care availability in the jurisdiction of the Issuer and are not for the benefit of the Issuer or the benefit of any other person, unless, as to the Trustee, the failure to give notice shall have deprived the Issuer or the Lender, as the case may be, of a reasonable opportunity to contest any such matter.

The obligations of the Issuer under this Section shall, to the extent permitted by law, survive the termination of this Financing Agreement and the payment and performance of all of the other obligations of the Issuer and the Lender hereunder and under the Indenture and the FHA Loan Documents. The parties hereto acknowledge and agree that an indemnification obligation of the Issuer hereunder shall not succeed to or become an obligation of FHA and/or HUD.

Section 5.09. Reserved.

Section 5.10. Mortgage Loan Documents.

In connection with the making of the Mortgage Loan, the Lender and the Issuer shall execute and deliver such documents as may be customarily utilized for mortgage loans to be insured under the provisions of Section 242 of the National Housing Act and applicable regulations thereunder, with such omissions, insertions and variations as may be required by the Lender and permitted by such regulations and as may be consistent with the terms and provisions of this Financing Agreement.

Section 5.11. Reserved.

Section 5.12. Continuing Disclosure.

The Issuer hereby covenants to enter a written undertaking for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule"), contemporaneously with the issuance of the Bonds which shall be assigned to the Trustee for the benefit of the Bondholder, and each Bondholder shall be a beneficiary of this Section 5.12 and such undertaking with the right to enforce this Section 5.12 and undertaking directly against the Issuer.

ARTICLE VI.

SPECIAL TERMS AND PROVISIONS

Section 6.01. No Pecuniary Liability.

The obligations of the Issuer under this Financing Agreement are special, limited obligations of the Issuer, payable solely out of the revenues and income derived under this Financing Agreement and the Indenture, including but not limited to, the Trust Estate. The obligations of the Issuer hereunder shall not be deemed to constitute an indebtedness or an obligation of the Issuer, the State of Washington or any political subdivision thereof within the purview of any constitutional limitation or statutory provision, or a charge against the credit or general taxing powers, if any, of any of them. The Issuer has no taxing power. Neither the Issuer nor any member, commissioner, director, officer, employee or agent of the Issuer nor any person executing the bonds shall be liable personally for the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds. Nor recourse shall be had for the payment of the principal of, redemption premium, if any, and interest on any of the Bonds or

for any claim based thereon or upon any obligation, covenant or agreement contained in the Indenture or this Financing Agreement or the Bond Purchase Agreement against any past, present or future member, officer, agent or employee of the Issuer, or any incorporator, member, officer, employee, director or trustee of any successor corporation, as such, either directly or through the Issuer or any successor corporation, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such incorporator, member, officer, employee, director, agent or trustee as such is hereby expressly waived and released as a condition of and consideration for the execution of the Indenture or this Financing Agreement and the issuance of the Bonds.

Section 6.02. Further Assurances and Corrective Instruments.

The Issuer, the Trustee and the Lender agree that they will, from time to time, execute and deliver or cause to be executed and delivered such supplements hereto and such further instruments as may reasonably be required for carrying out the intention of the parties to, or facilitating the performance of, this Financing Agreement.

Section 6.03. Reserved.

Section 6.04. Transfer by Lender.

The Lender shall have the right to transfer its obligations as Lender hereunder and under the Mortgage Loan Documents so long as (i) such transfer is to another FHA approved mortgagee and GNMA approved issuer; (ii) such transfer has received the written approval of FHA and GNMA; and (iii) the transferee executes a document confirming its acceptance of all of the rights, duties and responsibilities of the Lender hereunder.

ARTICLE VII.

EVENTS OF DEFAULT; REMEDIES

Section 7.01. Events of Default; Remedies.

Upon receipt by a Responsible Officer of the Trustee of notice of a violation by the Issuer of, or default by the Issuer under, any of the provisions of this Financing Agreement, the Trustee shall give written notice thereof to the Issuer by certified mail, postage prepaid, return-receipt requested. If a violation or default by the Issuer of any of the provisions of this Financing Agreement is not corrected to the reasonable satisfaction of the Trustee within 30 days after the date such notice is received, or if the violation or default (other than a payment default) cannot be corrected within such period, within such longer period as may be necessary, in the reasonable opinion of the Trustee, to correct such violation, provided that the Issuer has commenced and is diligently pursuing appropriate action to correct such violation and there will be no material adverse effect on the rights of the Trustee, the Lender or the Bondholders under this Financing Agreement, any of the FHA Loan Documents or the Indenture as a result of such extension, without further notice, the Trustee may declaim a default under this Financing Agreement effective on the date of such declaration of default, and, upon such default, the Issuer, the Lender or the Trustee may apply to any state or federal court having jurisdiction (a) for

specific performance of this Financing Agreement or for an injunction against any violation of this Financing Agreement, since the injury to the Lender and the Trustee arising from a default under any of the terms of this Financing Agreement would be irreparable, and the amount of damage would be difficult to ascertain, or (b) for other relief in law or equity which may be appropriate. A default hereunder shall not constitute an Event of Default under the Indenture, the FHA Loan Documents or the documents relating to the GNMA Securities. Notwithstanding the occurrence of any event of default hereunder, the Trustee shall continue to purchase the GNMA Securities from the Lender and to make disbursements pursuant to Section 3.03 hereof, and the funds on deposit in the Acquisition Fund and the Bond Fund shall remain available for such purpose.

Section 7.02. No Remedy Exclusive.

No remedy conferred upon or reserved to the Lender or the Trustee by this Financing Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Financing Agreement and the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lender or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

Section 7.03. No Additional Waiver Implied by One Waiver.

In the event any agreement contained in this Financing Agreement should be breached by any party and thereafter waived by the other parties, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.04. Payment of Costs.

In the event the Issuer is in default under any provision of this Financing Agreement or the FHA Loan Documents, the Issuer shall be liable to, and upon demand shall pay to, the Trustee and the Lender all reasonable fees and disbursements of such persons and their agents (including attorneys' fees and expenses) which are reasonably connected therewith or incidental thereto except to the extent such fees and disbursements are paid from moneys available therefor under the Indenture. Notwithstanding any provision in this Financing Agreement to the contrary, whenever in this Financing Agreement the Issuer is required to pay "reasonable attorney's fees" or words of similar import, such phrase shall mean attorney's fees actually incurred at standard hourly rates.

ARTICLE VIII.

TERMINATION AND PREPAYMENT

Section 8.01. Option To Terminate.

The Issuer shall have the option to terminate this Financing Agreement at any time when (a) the Indenture shall have been discharged pursuant to Article IX thereof and (b) sufficient moneys are on deposit with the Trustee to meet all additional payments due or to become due through the date on which the last of the Bonds are then scheduled to be retired or redeemed, or, with respect to additional payments to become due, provisions satisfactory to the Trustee are made for paying such amounts as they come due; provided, however, under no circumstance shall this Financing Agreement be terminated prior to the acquisition by the Trustee of the PLC.

Section 8.02. Option To Prepay Loan.

The Issuer shall have and is hereby granted the option to prepay the Mortgage Loan in full or in part prior to the payment and discharge of all the Outstanding Bonds, but only in accordance with the provisions of Section 3.06 hereof, the Mortgage Note and the Indenture.

Section 8.03. Notice of Prepayment; Timing of Prepayment.

The Lender shall notify the Trustee by telephone within 24 hours of the receipt of any notice of prepayment by the Issuer and of the receipt of any prepayment or prepayment penalties paid by the Issuer pursuant to the terms of the Mortgage Note and shall promptly confirm any such notice or receipt in writing. The written notice shall state the date such prepayment will be passed through to the GNMA Securities holder, which date shall be not later than the fifteenth day of the month following the month in which such prepayment occurs, and shall state the effect such prepayment (if a partial prepayment) would have on the remaining scheduled payments on the GNMA Securities. The Lender shall transfer to the Trustee, in accordance with the provisions of the Mortgage Note, the portion of any prepayment penalties paid by the Issuer pursuant to the Mortgage Note which is attributable to the GNMA Securities. If such prepayment is not made by the time required therefor by the terms of the Mortgage Note, any prepayment premiums previously received by the Lender shall be returned to the Issuer by the person holding such prepayment.

ARTICLE IX.

MISCELLANEOUS

Section 9.01. Term of Agreement.

This Financing Agreement shall be in full force and effect from the date hereof, and shall continue in effect until payment in full of all principal of, premium, if any, and interest on the Bonds, or provision for the payment thereof shall have been made pursuant to the Indenture, all fees, charges and expenses of the Trustee have been fully paid or provision made for such payment (the payment of which fees, charges, indemnities and expenses shall be evidence by a

written certification of the Issuer that it has fully paid all such fees, charges, indemnities and expenses) and all other amounts due hereunder have been duly paid or provision made for such payment. To the extent permitted by law, all representations, certifications and covenants by the Issuer as to the indemnification of various parties as described in Sections 5.08 hereof.

Section 9.02. Reserved.

Section 9.03. Notices.

All notices, certificates or other communications hereunder shall be sufficiently given by hand delivery with a delivery receipt or certified mail and shall be deemed given on the date of receipt when hand delivered, or mailed by certified mail, postage prepaid, return receipt requested, addressed to the Issuer, the Trustee, the Lender or any other person to whom any such notice, certificate or other communication is to be given, at the appropriate address set forth in Section 10.04 of the Indenture. The Issuer, the Lender and the Trustee, by notice given hereunder, may designate any further or different addressees to which subsequent notices, certificates or other communications shall be sent.

Section 9.04. Binding Effect.

This Financing Agreement shall inure to the benefit of, and shall be binding upon, the Issuer, the Trustee, the Lender and their respective successors and assigns.

Section 9.05. Successors and Assigns.

Whenever in this Financing Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of the Issuer which are contained in this Financing Agreement shall bind its successors and assigns and inure to the benefit of the successors and assigns of the Issuer.

Section 9.06. Severability.

In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 9.07. Amendments, Changes and Modifications.

This Financing Agreement may be amended, changed, modified, altered or terminated only by a written instrument executed by each of the parties hereto and only as permitted by Article VIII of the Indenture.

Section 9.08. Execution of Counterparts.

This Financing Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Law Governing Construction of Agreement.

This Financing Agreement shall be governed exclusively by and construed in accordance with the internal laws of the State applicable to contracts to be wholly performed therein.

Section 9.10. Amounts Remaining in Bond Fund or Other Funds.

It is agreed by the parties hereto that, upon the expiration or sooner termination of this Financing Agreement, and after payment in full of (a) the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), (b) the Rebate Amount and (c) the fees and expenses of the Trustee and the Rebate Analyst, any moneys remaining in the Bond Fund and in any other fund established under the Indenture shall be paid only in accordance with the Indenture.

Section 9.11. GMNA/FHA Loan Documents and Regulations Control; FHA Requirements.

(a) To the extent that there is any conflict, inconsistency or ambiguity between or among this Agreement and (i) any applicable FHA mortgage insurance, or other applicable FHA or GNMA statutory, regulatory, administrative requirements, (ii) any of the Documents (including the Lease Documents) which have been or are required by FHA and/or the Lender to be executed by the Issuer, FHA and/or the Lender in connection with the subject transaction (each, a "FHA Loan Document," or collectively, the "FHA Loan Documents" as the context may require) or (iii) any of the documents which have been or are required by GNMA to be executed by the Issuer, FHA, GNMA and/or the Lender in connection with the subject transaction (each, a "GNMA Document" or collectively, the "GNMA Documents" as the context may require), said FHA mortgage insurance and other applicable FHA and GNMA statutory, regulatory and administrative requirements and said FHA Loan Documents and GNMA Documents will be deemed to be controlling and any such ambiguity or inconsistency will be resolved in favor of, and pursuant to the FHA mortgage insurance, and other applicable FHA and GNMA statutory, regulatory or administrative requirements and the terms of the FHA Loan Documents and GNMA Documents, as applicable. For purposes hereof, the reference to FHA's statutory, regulatory and administrative requirements shall be deemed to include, but shall not be limited to, any statutory, regulatory or administrative requirements pertaining to Section 242 of the National Housing Act, as may be applicable. The parties hereto agree to amend this instrument as may be necessary or required by FHA, GMNA or the Lender to conform this instrument to the above-cited requirements and FHA Loan Documents and GNMA Documents. In addition, it is understood and agreed that any default under this Agreement shall not constitute a default under the FHA Loan Documents or the GNMA Documents; and further, that nothing herein contained shall be construed to limit or affect the Lender's rights under the FHA Loan Documents or the GNMA Documents.

(b) No amendment to this Financing Agreement shall conflict with the provisions of the National Housing Act, any applicable HUD regulations, related administrative requirements, the FHA Loan Documents, any applicable GNMA regulations, related administrative requirements and the GNMA Documents.

(c) The Lender will hold escrow funds required under the Mortgage Loan in trust for the benefit of the Issuer outside the terms of the Indenture and this Financing Agreement, and any Project funds held by the Lender will not be deposited in any of the funds or accounts created by this Financing Agreement or under the control of the Trustee.

(d) Nothing contained herein shall inhibit or impair the right of the Lender to require or agree to any amendment, charge or modification of the FHA Loan Documents or the GNMA Documents for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provision contained therein, or in regard to matters or questions arising under said FHA Loan Documents or the GNMA Documents so long as any such amendment, change or modification shall not adversely affect the payment terms of the Bonds.

(e) This Financing Agreement shall not be construed to restrict or adversely affect the duties and obligations of the Lender under the contract of mortgage insurance between FHA and the Lender with respect to the Mortgage Loan.

(f) Neither the Trustee, or any of the Bondholders has or shall be entitled to assert any claim against the Project, the Mortgage Loan proceeds, any reserves or deposits required by HUD in connection with the Mortgage Loan transaction, or the revenues, receipts, rents or deposits or other income of the property other than available "Residual Receipts" (as defined in the FHA Regulatory Agreement") authorized for release by HUD.

(g) Proceeds from any condemnation award or from the payment of a claim under any hazard insurance policy relating to the Project will not be payable to the Trustee, but will be payable to the Lender, and the Bonds will be subject to redemption in whole or in part, prior to their stated maturity date, in said event from payments the Trustee receives on the GNMA Security representing and subsequent to a prepayment of the Note and the Leasehold Mortgage from such proceeds or claims payment.

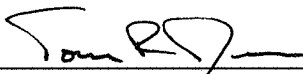
(h) In the event of any conflict between the provisions of this Section 9.11 and the provisions contained in any other Section of this Financing Agreement, the provisions of this Section 9.11 shall govern and be controlling in all respects.


[Issuer Signature Page to Financing Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Financing Agreement to be duly executed as of the day and year first written above.

COULEE MEDICAL FOUNDATION

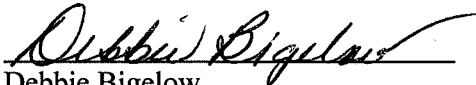
ATTEST:

By: 
Name: Tom R. Jensen
Title: President

Name 
Secretary

[District Signature Page to Financing Agreement]

DOUGLAS, GRANT, LINCOLN & OKANOGAN
COUNTIES PUBLIC HOSPITAL DISTRICT NO.
6

By: 
Name: Debbie Bigelow
Title: Chief Financial Officer

[Trustee Signature Page to Financing Agreement]

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: 
Name: Thomas Zrust
Title: Vice President

[Lender Signature Page to Financing Agreement]

RED MORTGAGE CAPITAL, INC.

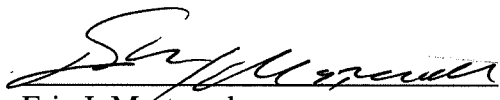
By: 
Name: Eric J. Mestemaker
Title: Director

EXHIBIT A

LEGAL DESCRIPTION OF PROJECT SITE

That portion of the Southeast Quarter of the Northwest Quarter of Section 11, Township 28 North, Range 30 E.W.M, Grant County, Washington, lying between the extended South line of Burdin Boulevard, and the extended North line of Nelson Road, and between the Easterly line of State Highway No. 10-B and the West line of Block 28 and 29, Replat of and Addition to Grand Coulee Center Addition to Grand Coulee, according to the plat thereof recorded in Volume 2 of Plats, page 89, records of Grant County, Washington, EXCEPTING THEREFROM the four following described tracts:

(1) COMMENCING at the Southwest corner of Lot 1, Block 28, of said Replat of and Addition to Grand Coulee Center Addition to Grand Coulee; Thence South $89^{\circ}39'30''$ East along the South line of said Lot 1, a distance of 22.15 feet to the East line of the Southeast Quarter of the Northwest Quarter of said Section 11; Thence South $00^{\circ}20'30''$ West along said East line, a distance of 30 feet; Thence North $89^{\circ}39'30''$ West, a distance of 22.15 feet; Thence North $00^{\circ}20'30''$ East, a distance of 30 feet to the True Point of Beginning.

(2) COMMENCING at the Northwest corner of Lot 1, Block 28, of said Replat of and Addition to Grand Coulee Center Addition to Grand Coulee; Thence South $00^{\circ}20'30''$ West along the West line of said Lot 1, a distance of 100 feet to the Southwest corner thereof; Thence continuing South $00^{\circ}20'30''$ West, a distance of 30 feet; Thence North $89^{\circ}39'30''$ West, a distance of 10 feet; Thence North $00^{\circ}20'30''$ East, parallel with the West line of said Lot 1, a distance of 130 feet; Thence South $89^{\circ}39'30''$ East, a distance of 10 feet to the True Point of Beginning.

(3) COMMENCING at the Northwest corner of Lot 12, Block 29, of said Replat of and Addition to Grand Coulee Center Addition to Grand Coulee; Thence North $89^{\circ}35'40''$ West along the Southerly line of Burdin Boulevard, a distance of 283.00 feet to the True Point of Beginning; Thence continuing North $89^{\circ}35'40''$ West, a distance of 15.00 feet to the Easterly right of way of State Highway No. 174; Thence South $46^{\circ}00'50''$ West along said right of way, a distance of 149.00 feet; Thence South $89^{\circ}35'40''$ East, a distance of 145.00 feet; Thence North $12^{\circ}18'57''$ West, a distance of 106.85 feet to the True Point of Beginning.

(4) A tract of land lying and being in the Southeast Quarter of the Northwest Quarter of Section 11, Township 28 North, Range 30 E.W.M, Grant County, Washington, described as follows: BEGINNING at the Northwesterly corner of Lot 12, Block 29, as shown on the Replat of and Addition to Grand Coulee Center Addition to Grand Coulee, recorded in Volume 2 of Plats, pages 89 and 87; Thence South $00^{\circ}20'00''$ East along the Westerly line of Lots 12 and 13, Block 29 of said Replat for 220.00 feet to the Southwesterly corner of said Lot 13; Thence continuing South $00^{\circ}20'00''$ East for 60.00 feet to the Northwesterly corner of Lot 1, Block 28, of said Replat and the Southerly right of way of Fortuyn Street; Thence South $89^{\circ}40'00''$ West parallel to the centerline of Fortuyn Street for 60.00 feet; Thence North $00^{\circ}20'00''$ West parallel to Lots 12 and 13, Block 29 of said Replat for 280.00 feet; Thence North $89^{\circ}40'00''$ East for 60.00 feet to the Northwesterly corner of said Lot 12, Block 29 and the Point of Beginning.