

1 BEFORE THE BOARD OF COUNTY COMMISSIONERS
2 FOR MULTNOMAH COUNTY

3 Transfer of CareOregon, a Division of the
4 Multnomah County Health Department, to
5 CareOregon, Inc.

RESOLUTION
97-50

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9 WHEREAS, by Resolution 93-384, December 9, 1993, Multnomah County assumed
10 responsibility for CareOregon, to become a provider of health care services under The Oregon
11 Health Plan, and

12 WHEREAS, CareOregon, a consortium of the Multnomah County Health Department,
13 Oregon Health Sciences University, Clackamas County and The Oregon Primary Care
14 Association, has successfully provided health care services to approximately 25,000 Medicaid
15 enrollees per month in the past three years and fulfilled its original purpose of providing managed
16 health care services in a public health context, and

17 WHEREAS, CareOregon's Advisory Board has determined that CareOregon can more
18 effectively continue to fulfill its mission to serve the unserved and underserved population in need
19 of health care services throughout the county and state if it becomes an independent, non-profit
20 corporation, and

21 WHEREAS, CareOregon has been incorporated by the State of Oregon under ORS
22 Chapter 65 in accordance with the Articles of Incorporation and By-laws attached as Attachments
23 A and B, and

24 WHEREAS, CareOregon, the Oregon Nurses Association and Multnomah County
25 Employee Union, Local 88, AFSCME, AFL-CIO have reached agreement regarding the
26 employment status of any employees affected by this transition, in accordance with the
27 agreements attached hereto, in Attachments C and D, and

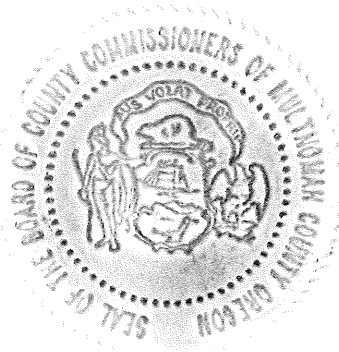
28 WHEREAS, Multnomah County believes that continued access to quality health care
29 services is critical to the welfare of Multnomah County residents as well as citizens throughout
30 Oregon.

31 THEREFORE, IT IS RESOLVED that Multnomah County, in accordance with the terms of
32 a Transfer Agreement substantially in the form attached hereto as Attachment E and its Exhibits,
33 transfers its responsibility for CareOregon, formerly an assumed business name of Multnomah
34 County, to CareOregon, Inc., effective upon April 1, 1997, and

1 THEREFORE, IT IS FURTHER RESOLVED that the Board of County Commissioners
2 delegates to the Chair of the Board the authority to execute the final form of any of the documents
3 attached to this Resolution as Exhibits and any additional documents hereafter deemed
4 necessary to complete this transfer.

5 APPROVED this 20th day of March, 1997.

6 BOARD OF COUNTY COMMISSIONERS
7 FOR MULTNOMAH COUNTY, OREGON



11 By Beverly Stein
12 Beverly Stein, Chair

13 REVIEWED:
14 SANDRA N. DUFFY, ACTING COUNTY COUNSEL
15 FOR MULTNOMAH COUNTY, OREGON

16 By Katie Gaetjens
17 Katie Gaetjens, Assistant County Counsel

18 H:\data\adv\Gaetjens\104CareOregon

**RESTATED
ARTICLES OF INCORPORATION
OF
CAREOREGON, INC.**

(Oregon Nonprofit Public Benefit Corporation; No Members)

Pursuant to the provisions of the Oregon Nonprofit Corporation Act, the following Restated Articles of Incorporation are adopted:

ARTICLE I

NAME AND DURATION

The name of the corporation is CareOregon, Inc., and its duration shall be perpetual.

ARTICLE II

TYPE OF CORPORATION

This corporation is a public benefit corporation.

ARTICLE III

PURPOSES

This corporation is organized and operated exclusively for charitable, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or the corresponding provision of any future federal income tax laws (the "Code").

The specific and primary purpose of the corporation shall be to provide comprehensive personal health care services and resources to persons covered under Title XIX of the Social Security Act (Medicaid) in connection with the Oregon Health Plan program administered by the Oregon Department of Human Resources, Office of Medical Assistance Programs ("OMAP").

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OF CARE OREGON, INC.**

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The services and resources shall be made available without regard to race, color, creed, sex or national origin, and the corporation shall further extend its services to the economically disadvantaged and medically underserved population as described above.

The corporation shall place special emphasis on preventative medicine and primary care case management for the purpose of increasing access to quality, cost-effective health care.

Subject to the restrictions set forth in these Articles, the corporation may engage in any lawful activity for which nonprofit corporations may be organized under ORS Chapter 65.

ARTICLE IV

PROHIBITED TRANSACTIONS

Notwithstanding any other provision in these Articles, this corporation shall engage only in activities which are permitted to be engaged in by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, by a corporation to which contributions are deductible under Section 170(c)(2) of the Code, and by a public charity described in Section 509(a)(1), (2) or (3) of the Code.

No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publication or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

No part of the net earnings of the corporation shall inure to the benefit of or be distributable to its directors, officers or other private individuals, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article III hereof.

ARTICLE V

NO MEMBERS

The corporation shall have no members.

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ARTICLE VI

INITIAL REGISTERED OFFICE AND AGENT

The name and address of the registered agent and office are: Mary Lou Hennrich, 421 S.W. 5th, 2nd Flr., Portland, OR 97204.

ARTICLE VII

MANAGEMENT AND DIRECTORS

The affairs of the corporation shall be managed by a Board of Directors as provided by law, these Articles of Incorporation, and the Bylaws of the corporation.

The number of voting directors constituting the initial board of directors of the corporation shall be nine (9), and their manner of election shall be as provided in the Bylaws of the corporation.

ARTICLE VIII

DISTRIBUTION OF ASSETS ON DISSOLUTION

Upon the dissolution or liquidation of the corporation, the assets of the corporation shall be applied and distributed consistent with the requirements of ORS 65.637, or any successor statute, and as follows:

- (a) All liabilities and obligations of the corporation shall be paid, satisfied and discharged or adequate provision shall be made therefor;
- (b) Assets held by the corporation upon condition requiring return, transfer or conveyance, which condition occurs by reason of dissolution, shall be returned, transferred or conveyed in accordance with such requirements; and
- (c) Any remaining assets shall be distributed to the following organizations in amounts as determined by the Board of Directors, as long as such organizations or their successors are tax exempt under Section 501(c)(3) of the Code or are the federal government or a state or local government, and such distributions are for a public purpose:
 - i. Oregon Health Sciences University, a state governmental entity operating as a public corporation;

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ii. Multnomah County, Oregon Health Department, a political subdivision of the State of Oregon;

iii. Oregon Primary Care Association, an Oregon nonprofit, public benefit charitable corporation;

iv. Clackamas County, Oregon Public Health Division, a political subdivision of the State of Oregon; and/or

v. Any other organization or organizations which are tax exempt under Section 501(c)(3) of the Code, or are the federal government, or a state or local government, for a public purpose.

(d) Any such assets not so disposed of shall be disposed of by the Multnomah County Circuit Court, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE IX

ELIMINATION OR LIMITATION OF LIABILITY

No director or uncompensated officer shall be personally liable to the corporation for monetary damages for conduct as a director or officer; provided, however, that a director or uncompensated officer shall remain liable for:

1. Any breach of the director's or officer's duty of loyalty to the corporation;
2. Acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
3. Any unlawful distribution;
4. Any transaction from which the director or officer derived an improper personal benefit; and
5. Any act or omission in violation of ORS 65.361 to ORS 65.367 of the Oregon Nonprofit Corporation Act (pertaining to director conflicts of interest, loans to or guarantees for directors and officers, and unlawful distributions).

The civil liability of directors, officers, and executive board members shall be limited to the fullest extent permitted under the Oregon Nonprofit Corporation Act.

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ARTICLE X

PRINCIPAL OFFICE ADDRESS

The principal office address of the corporation is: 421 S.W. 5th Ave., 2nd Floor, Portland, Oregon 97204.

ARTICLE XI

BYLAWS

This corporation may prescribe, in its Bylaws, any provisions for the regulation and management of its affairs not inconsistent with law or with these Articles. Any amendment of these Articles of Incorporation or the Bylaws shall require the affirmative vote of two-thirds (2/3) of the Board of Directors then in office, at a meeting at which a quorum of three-fourths (3/4) of the directors are present.

The undersigned, being of the age of 18 years or more, declares under penalties of perjury that he has examined the foregoing Restated Articles of Incorporation and to the best of his knowledge and belief, they are true, correct and complete.



Ian Timm
Chairperson of the Board

Person to contact about this filing:

Peter F. Stoloff
121 S.W. Morrison, Suite 600
Portland, Oregon 97204
Telephone: (503) 224-4664

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BYLAWS
OF
CAREOREGON, INC.

ARTICLE I

PURPOSES AND POWERS

The purpose for which the corporation is formed shall be as provided in its articles of incorporation.

ARTICLE II

NAME, OFFICES AND SEALS

2.1 Name. The name of this corporation shall be CareOregon, Inc. ("corporation"), which shall be a nonprofit, public benefit, nonmembership corporation organized under ORS Chapter 65 and Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future federal income tax laws.

2.2 Offices. The principal office for the transaction of the business of the corporation shall be in Portland, State of Oregon. The corporation also may have another office or offices within or without the State of Oregon as the Board of Directors may from time to time establish.

2.3 Seal. A corporate seal is not required on any instrument executed for the corporation. If a corporate seal is used, it shall have inscribed thereon the words "CareOregon, Inc."

ARTICLE III

NO MEMBERSHIP

The corporation shall have no members.

ARTICLE IV

BOARD OF DIRECTORS

4.1 Powers. Subject to any limitation in the articles of incorporation, these bylaws and Oregon law, all powers of the corporation shall be exercised by and under authority of the Board of Directors and the business and affairs of the corporation shall be managed under the direction of the Board of Directors.

4.2 Number of Directors; No Specific Qualifications. The initial Board of Directors of the corporation shall consist of nine (9) persons, and thereafter the authorized number of directors of the corporation shall consist of a minimum of nine (9) persons and a maximum of twenty-one (21) persons, each of whom shall have the right to one vote on all matters. The Chief Executive Officer and the Medical Director of the corporation shall be ex-officio, non-voting members of the Board of Directors. There shall be no specific qualifications for nominees to the Board of Directors, except that in no event shall more than 20% of the Board of Directors consist of physicians having any past or present financial interest in the corporation or providing professional services to or for the corporation for compensation from the corporation.

4.3 Nomination of Directors. At least thirty (30) days prior to the first annual meeting (or at a special meeting held in lieu thereof), the Board of Directors (or a nominating committee designated by the Directors) shall obtain from the following organizations a written list of the names of the following number of persons who are nominees for directorships to be filled at the first annual meeting:

Oregon Health Sciences University: three (3) nominees
Multnomah County, Oregon Health Department: three (3) nominees
Oregon Primary Care Association: two (2) nominees
Clackamas County, Oregon Public Health Division: one (1) nominee

4.4 Election. The persons so nominated shall be elected at the first annual meeting by the Board of Directors, or at any special meeting held in lieu thereof, except that if the Board of Directors rejects a nominee, the organization which nominated such person shall nominate another person for election by the Board of Directors.

4.5 Term; Staggered Terms. The directors shall serve for a term of three (3) years, or until his/her successor is elected or he/she dies, is disqualified, resigns or is removed. There shall be no term limits. Such three year terms shall be staggered so that approximately one-third of the total number of directors then in office shall be elected at each annual meeting or special meeting held in lieu thereof. The directors shall hold office until the next annual meeting at which they are regularly elected or at a special meeting held in lieu thereof and until their respective successors are

chosen and qualified. The director positions may be drawn by lot or numbered in order to accomplish the staggered terms.

4.6 Nomination and Composition of Board of Directors. Notwithstanding anything to the contrary in these Bylaws, at all times the Board of Directors shall be nominated by, and shall consist of representatives of, the following organizations according to the following ratios:

Oregon Health Sciences University: 1/3 of the directors
Multnomah County, Oregon Health Department: 1/3 of the directors
Oregon Primary Care Association: 2/9 of the directors
Clackamas County, Oregon Public Health Division: 1/9 of the directors

4.7 Quorum and Manner of Acting. A majority of the directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the articles of incorporation or these bylaws. The Board Chair shall have the right to vote on all matters.

4.8 Supermajority Board Decisions. The following decisions of the Board of Directors shall require the vote of at least two-thirds (2/3) of the authorized number of directors of the corporation for approval:

- 4.8.1 Any change in the Mission/Values Statement of the corporation;
- 4.8.2. Any and all mergers, acquisitions, or reorganizations by the corporation;
- 4.8.3 Any and all acquisitions and/or transfers of assets by the corporation except acquisitions and/or transfers in the ordinary course of business;
- 4.8.4 Any and all amendments of the articles of incorporation or bylaws;
- 4.8.5 Any voluntary dissolution of the corporation;
- 4.8.6 Employment and termination of employment of the Chief Executive Officer of the corporation;
- 4.8.7 Removal of any director;
- 4.8.8 Appointment, election, and specification of the duties of the Executive Committee; and

4.8.9 Establishing salaries, if any, of any one or more officers as provided in Section 5.13.

4.9 Resignations. Any director may resign at any time by giving written notice to the Chief Executive Officer, the Board Chair, or the Board of Directors. The notice shall set forth the effective date of the resignation. If the resignation is effective at a future time, a successor shall be nominated by the organization which nominated such resigning director and the Board of Directors shall elect such nominee or another nominee from such organization. Resignation as a director of the corporation also shall constitute a resignation as a member of all committees of the Board of Directors.

4.10 Vacancies. All vacancies among the directors shall be filled by nomination from the organization which originally nominated such vacant director position, and the Board of Directors shall elect such nominee or another nominee from such organization. Each director elected to fill a vacancy shall hold office until the expiration of the term of the replaced director.

4.11 Removal. All or any number of the directors may be removed, for cause by a supermajority vote of the Board of Directors as provided in Section 4.8.7. Cause shall include, but not be limited to, the following: conviction in a court of law of a criminal offense involving a felony or a misdemeanor involving moral turpitude, conduct which brings or threatens discredit to the reputation of the corporation, breach of the director's duty of loyalty to the corporation, and acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law. In the event that any one or more of the directors shall be so removed, new directors shall be elected by the Board of Directors from among nominees by the organization which nominated the removed director, and such person shall fill the unexpired term or terms of the director(s) so removed. Removal as a director of the corporation shall also constitute removal as a member of all committees of the Board of Directors.

4.12 Place of Meetings. All meetings of the Board of Directors shall be held at the principal office of the corporation or at such other place as may be designated for that purpose from time to time by the Board of Directors.

4.13 Annual Meeting. The annual meeting of the Board of Directors shall be held each February in the State of Oregon at a time and place to be determined by the Board of Directors.

4.14 Regular Meetings. The Board of Directors shall hold regular meetings at least quarterly at such times and places as may be designated by the Board of Directors. No notice of any regular meeting of the Board of Directors need be given if it has so fixed the time and place of such meetings.

4.15 Special Meetings. Special meetings of the Board of Directors may be called for any purpose at any time by the Chief Executive Officer, the Board Chair, the Executive Committee, if any, or any three (3) directors.

4.16 Notice of, and Waiver of Notice for, Special Directors' Meetings. Unless the articles of incorporation provide for a longer or shorter period, notice of any special directors' meeting shall be given at least two days before the meeting either orally or in writing. If notice is given by facsimile, the notice is effective upon receipt of the facsimile. If mailed, notice of any director meeting shall be deemed to be effective at the earlier of:

4.16.1 When received;

4.16.2 Five days after deposited in the United States mail, addressed to the director's business office, with postage thereon prepaid; or

4.16.3 The date shown on the return receipt if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the director.

Any director may at any time waive notice of any meeting. Except as provided in the next sentence, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business and at the beginning of the meeting (or promptly upon the director's arrival) objects to holding the meeting or transacting business at the meeting, and does not thereafter vote for or assent to action taken at the meeting. Unless required by the articles of incorporation, neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, except that no motion to remove a director shall be presented unless it was specified in the notice or waiver of notice of such meeting.

4.17 Participation in Meetings by Conference Telephone. Directors may participate in a meeting of the Board of Directors through the use of conference telephone or other similar communications as long as all directors participating in such meeting can simultaneously hear one another. A director's participation in a meeting in accordance with this Section 4.17 shall constitute that director's presence in person at such meeting for all purposes, including determining whether a quorum exists.

A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless:

4.17.1 The director objects at the beginning of the meeting (or promptly upon the director's arrival) to holding it or transacting business at the meeting;

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4.17.2 The director's dissent or abstention from the action taken is entered in the minutes of the meeting; or

4.17.3 The director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

4.18 Directors' Action Without a Meeting. Unless the articles of incorporation provide otherwise, any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if all the directors take the action, each one signs a written consent (which may include one transmitted by facsimile) describing the action taken, and the contents are filed with the records of the corporation. Action taken by consent is effective when the last director signs the consent, unless the consent specifies a different effective date. A signed consent has the effect of a meeting vote and may be so described in any document.

4.19 Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any Board of Directors' meeting to another time and place. Notice of the time and place of holding an adjourned meeting need not be given to absent directors if the time and place is fixed at the meeting adjourned, except as provided in the next sentence. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

4.20 Directors' Compensation. By resolution of the Board of Directors, each director may be paid actual expenses, if any, of attendance at each meeting of the Board of Directors or performing a director's duties. Such payment shall not preclude any director from serving the corporation in any other approved capacity and receiving approved compensation therefor.

4.21 Duties of Directors. Each director shall discharge his or her duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director reasonably believes to be in the corporation's best interests even if such interests of the corporation do not constitute the best interests of the entity which nominated the director. Directors serve in their individual capacities and not in the capacity of any office or position they may hold with the entity which nominated the director. Therefore, the acts of the directors do not constitute the acts of the entity with whom the director holds the office or position, and that entity may not direct the director on how to vote or otherwise take action as a director of this corporation.

ARTICLE V

OFFICERS OF THE BOARD AND THE CORPORATION

5.1 Officers of the Board. The officers of the Board shall be the Board Chair, the Treasurer, and the Secretary, and such other officers of the Board as the Board of Directors shall from time to time deem advisable. Each officer of the Board shall be a member of the Board of Directors at the time of his or her election and during his or her term of office. The Treasurer shall be the chair of the Finance Committee. The Secretary shall act on behalf of the Board Chair when the Board Chair is not present.

5.2 Officers of the Corporation. The officers of the corporation shall be a Chief Executive Officer, and such other officers of the corporation as the Board of Directors shall from time to time deem advisable. Officers of the corporation are not required to be members of the Board of Directors, except that the Chief Executive Officer shall be a non-voting ex-officio member of the Board of Directors.

5.3 Election, Term, Resignation, Removal, Vacancy.

5.3.1 The Board Chair, Treasurer, and Secretary shall be elected for one year terms by the Board of Directors at its annual meeting from officer nominations from the Board of Directors. There shall be no term limits and no automatic progression through officer positions.

5.3.2 Each officer of the Board and officer of the corporation shall hold office at the pleasure of the Board (but removal shall not affect the rights, if any, of any officer under any contract of employment) and until his or her successor shall be elected and shall have qualified.

5.3.3 The resignation or removal of any officer shall automatically terminate his or her position as an officer. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled for the unexpired term at any meeting of the Board of Directors.

5.4 Subordinate Officers. The Board of Directors may elect or authorize the appointment of officers other than those mentioned above as the business of the corporation may require, each of whom shall hold office for such period, and shall have such authority and perform such duties as the Board of Directors may from time to time prescribe.

5.5 Board Chair. The Board Chair shall, if present, preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may from time to time be assigned by the Board of Directors.

5.6 Chief Executive Officer. Subject to the powers which may be given by the Board of Directors to the Board Chair, the Chief Executive Officer of the corporation shall preside at all meetings of the Board of Directors in the absence of the Board Chair and the Secretary. Subject to the control of the Board of Directors, the Chief Executive Officer shall have general supervision, direction and control of the business and affairs of the corporation. He/she shall be an advisory member of all the committees of the Board of Directors and shall have the general powers and duties of management usually vested in the office of President of a corporation as well as such other powers and duties as may be prescribed by the Board of Directors and these bylaws. The Chief Executive Officer shall provide regular written reports to Board of Directors on the activities of the corporation and shall provide quarterly financial reports and annual audited financial reports to the Board of Directors.

5.7 Secretary. The Secretary shall act on behalf of the Board Chair when the Board Chair is not present. In addition, the Secretary shall keep or cause to be kept, at the principal office of the corporation, the original or a copy of the articles of incorporation and bylaws, as amended. The Secretary also shall keep or cause to be kept a book of minutes at the principal office, or at such other place as the Board of Directors may order, of all meetings of the directors. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors required by these bylaws or law, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these bylaws.

5.8 Treasurer. The Treasurer shall be the chair of the Finance Committee, and shall keep and maintain or cause to be kept and maintained adequate and correct accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receivables, payables, profits and losses. The books of account shall at all times be open to inspection by any director. The Treasurer shall use such depositories as may be designated by the Board of Directors. He/she shall disburse or cause to be disbursed the funds of the corporation as ordered by the Board of Directors, render to the Chief Executive Officer and the directors, whenever they shall request it, an account of all of his/her transactions as Treasurer and the financial condition of the corporation, take proper vouchers for all disbursements of the funds of the corporation and have such other powers and perform such other duties as may be prescribed by the Board of Directors and these bylaws.

5.9 Medical Director. The Chief Executive Officer shall recommend for appointment a Medical Director with input from the Board of Directors, and the Board of Directors shall approve or reject such recommendation. The Medical Director shall report to and may be removed by the Chief Executive Officer. The Medical Director shall be an ex-officio, non-voting member of the Board of Directors.

5.10 Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the Chief Executive Officer, or the Board Chair. Any such resignation shall take

effect on the date of receipt of such notice or any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

5.11 Removal. Any officer elected or appointed may be removed, with or without cause, by the Board of Directors whenever in their judgment the best interests of the corporation will be served thereby. The removal of an officer shall be without prejudice to the contract rights, if any, of the officer so removed.

5.12 Vacancies. Any vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis. Should a vacancy occur in any office, the Board of Directors may delegate the powers and duties of such office to any officer or director until such time as a successor officer has been elected or appointed.

5.13 Salaries. The Board of Directors shall, by supermajority vote, determine from time to time the salaries, if any, of any one or more of the officers. An officer shall not be prohibited from receiving a salary because he/she is also a director of the corporation.

ARTICLE VI

COMMITTEES

6.1 Committees Generally. The Board of Directors may establish such committees as it deems appropriate or necessary and shall define the duties of such committees. Members of all committees shall serve at the pleasure of the Board of Directors. No committee may exercise authority of the Board with respect to:

- (a) the authorization of distributions;
- (b) approval of dissolution, merger, or the sale, pledge or transfer of all or substantially all of the corporation's assets;
- (c) election, appointment or removal of directors or filling vacancies on the board or on any of its committees;
- (d) adoption, amendment or repeal of the articles of incorporation or bylaws;
- (e) fixing compensation of directors; and

(f) any matter requiring a supermajority vote of the Board of Directors, as provided in Section 4.8.

The establishment of any such committee and the delegation of authority to it shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed by law.

6.2 The Board of Directors shall have the power to prescribe the manner in which proceedings of any committee shall be conducted. In the absence of any such prescription, each committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless these bylaws, the Board of Directors or a committee shall otherwise provide, the regular and special meetings and other actions of the committee shall be governed by the provisions of Article IV of these bylaws applicable to meetings and actions of the Board of Directors. Each committee shall keep regular minutes of its proceedings and shall report them to the Board of Directors.

6.3 Executive Committee. The Board of Directors may, in its sole discretion, establish an Executive Committee of at least three (3) directors. To the extent authorized by the Board of Directors, and consistent with the articles of incorporation, these bylaws, and the Oregon Nonprofit Corporation Act, the Executive Committee may conduct business as representatives of the Board of Directors.

6.4 Standing Committees and Council. There shall be at a minimum the following five (5) Standing Committees and Council: a Finance Committee, Utilization Review Committee, Quality Improvement Committee, and Credentials Committee; and Member Advisory Council. Members of Standing Committees may be compensated for actual expenses as determined by the Board of Directors.

6.4.1 Finance Committee. The Finance Committee shall make recommendations to the Board for the overall sound financial operation of the corporation, including recommendations on finance and contracts. The duties of this Committee may be changed from time to time by the Board of Directors, who shall have the authority to assign duties deemed appropriate for action by this Committee. The duties of the Finance Committee shall include, but not be limited to, the following:

(i) Conduct a periodic review of the fee schedule and/or compensation methodologies for physician and hospital services and the methodology for establishing such schedule and provide recommendations to the Board of Directors on such matters.

(ii) Review utilization projections established to determine allocation of premium dollars based upon actuarial assumptions and utilization experiences, and recommend approval or rejection of projections to the Board.

(iii) Review and make recommendations to the Board of Directors in regard to fee and billing disputes with providers.

(iv) Review and recommend for approval to the Board of Directors an annual operating budget to include medical services costs, administrative costs, and capital purchases.

(v) Other duties as identified and delegated by the Board of Directors. The Finance Committee may call employees or other persons before it if needed in order to assist the committee to perform its duties.

6.4.2 Utilization Review Committee. The Utilization Review Committee shall review claims data to identify and analyze trends in utilization and develop policies and systems to support the cost effective provision of services by primary care and all other providers. Utilization trends will be reported regularly to the Board of Directors and the Finance Committee.

6.4.3 Quality Improvement. The Quality Improvement Committee is responsible for monitoring and improving the overall quality of service and care provided to CareOregon, Inc. members, including access to care, patient satisfaction, outcomes of care, and compliance with government regulations. The Committee will meet monthly and provide regular reports to the Board of Directors.

6.4.4 Credentials Committee. The Credentials Committee shall consider applications of providers to enter into provider agreements with the corporation. The Credentials Committee shall evaluate applicants according to guidelines adopted by the Board of Directors and shall make recommendations regarding acceptance or rejection of applicants to the Board of Directors. All data, including written reports, notes, and records originating in or provided to the Credentials Committee in connection with the grant, denial, restriction or termination of membership as a participating provider is a privileged communication in accordance with ORS 41.675.

6.4.5 Member Advisory Council. The Member Advisory Council is a citizen advisory group for CareOregon, Inc. whose purposes are to: (i) strengthen member participation in their health care; (ii) collaborate with CareOregon, Inc. staff to make sure that CareOregon, Inc. services attend to the holistic needs of each member; (iii) work with CareOregon, Inc. staff to be responsive to the needs of culturally diverse population and the special needs of each individual; and (iv) identify issues and areas of improvement in member access to and responsiveness of CareOregon, Inc. services. Activities of the Member Advisory Council shall be reported periodically to the Board of Directors as part of management's regular reports.

6.5 Appointment; Term of Office. Except for the chair of the Finance Committee, who shall be the Treasurer, the Board Chair shall appoint the chair of each committee, who shall be a director, and the committee chair shall in turn appoint the committee members. All committee appointments shall be subject to confirmation by the Board of Directors, and shall serve at the pleasure of the Board of Directors. Subject to the immediately preceding sentence, each member of a committee shall serve until the next annual election of directors or until his/her successor is appointed, or until he or she otherwise ceases to qualify as a member of the committee. If a committee chair or member of a committee is unavailable, disqualified, or otherwise unable to perform his duties on a temporary basis or with respect to a particular issue, the Board Chair, committee chair, or committee member, as applicable, may designate another person to temporarily perform those duties.

6.6 Vacancies. Vacancies on any committee shall be filled for the unexpired portion of the term in the same manner as provided in the case of original appointment.

6.7 Meetings; Quorum. Each committee shall meet as often as necessary to perform its duties. A majority of the members of each committee shall constitute a quorum for such committee. The act of a majority of the members at a meeting at which a quorum is present shall be the act of the committee.

6.8 Qualifications. No more than 20% of the members of any committee shall consist of physicians having any past or present financial interest in the corporation or providing professional services to or for the corporation for compensation from the corporation, except that this restriction shall not apply to any committees that have authority over the clinical aspects of the corporation's activities.

ARTICLE VII

GENERAL PROVISIONS

7.1 Checks, Drafts, etc. All checks, drafts and other orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to the corporation and any and all securities owned or held by the corporation requiring signatures for transfer, shall be signed or endorsed by such persons and in such manner as from time to time shall be determined by the Board of Directors.

7.2 Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument, and any assignment or endorsement thereof executed or entered into between the corporation and any other entity, when signed by two authorized agents, shall be valid and binding on the corporation in the absence of actual knowledge on the part of the signing agents that he/she had no authority to

execute the same. Unless so authorized by the Board of Directors in writing, no other person shall have any power or authority to legally bind the corporation.

7.3 Fiscal Year. The fiscal year of the corporation shall be January 1 through December 31.

7.4 Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

7.5 Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

7.6 Severability. Any determination that any provision of these bylaws is for any reason inapplicable, invalid, illegal, or otherwise ineffective shall not affect or invalidate any other provision of these bylaws.

ARTICLE VIII

INDEMNIFICATION

8.1 Indemnification of Directors. Unless otherwise provided in the articles of incorporation, the corporation shall indemnify any individual made a party to a proceeding because the individual is or was a director of the corporation, against liability incurred in the proceeding, but only if the corporation has authorized the payment in accordance with ORS 65.404 and a determination has been made in accordance with the procedures set forth in ORS 65.404 that the director met the standards of conduct in Sections 8.1.1 to 8.1.3.

8.1.1 Standard of Conduct. The individual shall demonstrate that:

- (1) The individual conducted himself or herself in good faith; and
- (2) The individual reasonably believed that the individual's conduct was in the best interests of the corporation, or at least not opposed to its best interests; and
- (3) In the case of any criminal proceeding, the individual had no reasonable cause to believe his or her conduct was unlawful.

8.1.2 No Indemnification Permitted in Certain Circumstances. The corporation shall not indemnify a director under this Section 8.1:

(1) In connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; and

(2) In connection with any other proceeding charging improper personal benefit to the director, whether or not involving action in the director's official capacity, in which the director was adjudged liable on the basis that personal benefit was improperly received by the director.

8.1.3 Indemnification in Derivative Actions Limited. Indemnification permitted under this Section 8.1 in connection with a proceeding by or in the right of the corporation is limited to reasonable expenses incurred in connection with the proceeding.

8.1.4 Mandatory Indemnification. In addition, unless limited by the articles of incorporation, the corporation shall indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which the director was a party because of being a director of the corporation against reasonable expenses incurred by the director in connection with the proceeding.

8.2 Advance for Expenses of Directors. Unless otherwise provided in the articles of incorporation, the corporation may pay for or reimburse the reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding, if:

8.2.1 The director furnishes the corporation a written affirmation of the director's good faith belief that the director has met the standard of conduct described in Section 8.1;

8.2.2 The director furnishes the corporation a written undertaking, executed personally or on the director's behalf, to repay the advance if it is ultimately determined that the director did not meet the standard of conduct (which undertaking must be an unlimited general obligation of the director but need not be secured and may be accepted without reference to financial ability to make repayment); and

8.2.3 A determination is made that the facts then known to those making the determination would not preclude indemnification under Section 8.1 or ORS 65.387-65.414.

8.3 Indemnification of Officers, Agents, and Employees Who Are Not Directors.

Unless otherwise provided in the articles of incorporation, the Board of Directors may indemnify and advance expenses to any officer, employee, or agent of the corporation, who is not a director of the corporation, to any extent consistent with public policy, as determined by the general or specific action of the Board of Directors.

8.4 Insurance. The Board of Directors may cause the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer or employee of the

corporation, or a fiduciary with respect to any employee benefit plan of the corporation, or is or was serving at the request of the corporation as a director, officer or employee, or a fiduciary of an employee benefit plan, of another corporation, or as its representative in a partnership, joint venture, trust, or other enterprise against any liability asserted against such person and incurred in any such capacity or arising out of such status, whether or not the corporation would have the power to indemnify such person.

ARTICLE IX

CONFLICTS OF INTEREST

9.1 Director and Officer Conflicts of Interest.

9.1.1 A contract or other transaction between the corporation and one or more of its directors or officers or any other entity in which one or more of the corporation's directors or officers are directors, officers or members or are financially interested is valid notwithstanding such relationship or interest or because any such director or officer is present at the meeting of the Board of Directors or a committee of the Board which authorizes, approves or ratifies such contract or transaction or because his/her votes are counted for such purpose, if any of the following applies:

(a) The material facts of the transaction and the director's or officer's relationship or interest are disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of those interested directors.

(b) The contract or transaction is fair and reasonable to the corporation at the time the contract or transaction is authorized, approved or ratified in the light of circumstances known to those entitled to vote on the matter at that time.

9.1.2 Only disinterested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors, which authorizes, approves or ratifies such a contract or transaction.

9.2 Conflict of Interest Policy. The Board of Directors shall adopt a policy regarding transactions between the corporation and interested persons. For purposes of this Section 9.2, "interested persons" mean officers or directors of the corporation.

9.3 Conflict of Interest Statement. Upon appointment to the Board of Directors, and upon appointment of each officer, each such director and officer shall be required to execute a "Conflict of Interest Statement", affirming the director's or officer's commitment to act in the best interest of the corporation and abide by its conflict of interest and director and officer transaction policies, as set forth within the Statement. Such Statement shall also identify any contracts or

transactions to which the director or officer is or will become a party to, that are or could be construed to be in conflict with the interests of the corporation, and shall be updated as required by the Board of Directors. Each director and officer shall immediately report to the corporation in writing any state of facts which are, or might be construed to be, in conflict with the interests of the corporation.

ARTICLE X

RULES OF ORDER

Meetings of the Board of Directors and all committees shall be conducted according to the most recent edition of Roberts Rules of Order.

ARTICLE XI

DISSOLUTION

Upon the dissolution or liquidation of the corporation, the assets of the corporation shall be distributed according to the articles of incorporation.

ARTICLE XII

AMENDMENTS

These bylaws or any part thereof may be amended or repealed and new bylaws may be adopted only by affirmative vote of two-thirds (2/3) of the Board of Directors then in office, at a meeting at which a quorum of three-fourths (3/4) of the directors are present.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify:

1. That I am the duly appointed and acting Secretary of CareOregon, Inc., an Oregon nonprofit, public benefit corporation; and
2. That the foregoing bylaws, consisting of ____ pages constitute the bylaws of the corporation as duly adopted by the Board of Directors.

IN WITNESS WHEREOF, I have executed this Certificate as of this _____ day of _____, 1996.

Secretary

CONTRACT AMENDMENT

I. Parties

The parties to this contract amendment are Multnomah County, Oregon (hereinafter "the County") and the Oregon Nurses Association (ONA) (hereinafter "the Association").

II. Recitals

WHEREAS, CareOregon, a fully capitated health care provider providing primary health care services under the terms of the Oregon Health Plan, currently is a Division of the Department of Health; and

WHEREAS, there are substantial advantages for CareOregon to become a private non-profit corporation, and this transition is planned for on or about April 1997; and

WHEREAS, the parties are signatory to the 1994-1998 Agreement, ("the Agreement"); and

WHEREAS, the parties are jointly desirous of providing a transition plan for CareOregon and its staff which would maximize employee security and minimize disruption to the operations of CareOregon;

NOW, therefore the parties agree as follows:

The Agreement is amended to add Addendum M, as follows:

"Addendum M. Transition of CareOregon to Private Non-Profit Status

It is understood by the parties that in the event that CareOregon, Inc. a new private non-profit corporation, is incorporated as the successor to CareOregon, a Division of the Multnomah County Health Department, that there will be a personnel agreement between Multnomah County and CareOregon, Inc., which will provide for continuation of personnel services by Multnomah County to CareOregon, Inc. Employees hired by CareOregon, Inc. subsequent to the transition, to include any County employees resigning under Section 3 below, will be employees of CareOregon, Inc., and subject exclusively to the wages, hours and working conditions of that corporation. Employees of Multnomah County represented by the Association, including probationary employees, who remain in the same classification, will remain County employees and will continue to be governed by all the terms of the Agreement or its successor, including the terms for wages, fringe benefits, hours and working conditions, except for the following special provisions:

1. It is recognized that employees may be subject to the immediate supervision of CareOregon, Inc. managers and supervisors, and that this supervision shall be functionally the same as for County supervision except that any letter of discipline must be co-signed by a County employee supervisor or manager, and any grievance response similarly co-signed. Nothing shall preclude, however, issuance of discipline by the appropriate County manager or supervisor without a CareOregon, Inc. co-signature.
2. Unless terminated prior to its normal expiration date, effective on or about April 1999 the personnel services agreement between Multnomah County and CareOregon will expire, and each employee will be required six months prior to the date of this expiration to sign an irrevocable option to continue employment with Multnomah County or become an employee of CareOregon, Inc.
 - (a) In the event that the employee opts to remain with Multnomah County, he/she will be afforded an opportunity to be interviewed by representatives of the Employee Services Division to explore pre-layoff transfer options. Notwithstanding these special efforts, the provisions of Article 13, Seniority and Layoff, will fully apply.

- (b) In the event that an employee opts to transfer to CareOregon, Inc. that opting is irrevocable unless a job is not available for the employee at the time of transfer, in which event the employee will be subject to layoff in accordance with the provisions of Article 13.
- (c) In the event of a termination of the personnel services agreement prior to April 1999, employees may be subject to layoff in accordance with the provisions of Article 13.

3. As new vacancies arise for whatever reason at CareOregon, Inc. they shall be filled exclusively by CareOregon, Inc. employees. Nothing shall preclude employees governed by this Agreement from applying for and being appointed, upon resignation from the County, to any such vacancy. Additionally, an employee may with the consent of CareOregon, Inc. resign from the County and take his or her current position as a CareOregon, Inc. employee.

IN WITNESS WHEREOF, the parties hereto have set their hands this ____ day of _____, 199__.

OREGON NURSES ASSOCIATION

MULTNOMAH COUNTY, OREGON CHAIR

BY _____

BY _____
County Chair

BY _____

BY _____

NEGOTIATED BY:

Michael Alexander
Council Representative
AFSCME Council 75

Kenneth Upton
Labor Relations Manager
Multnomah County, Oregon

REVIEWED:

Sandra Duffy
Acting County Counsel
Multnomah County, Oregon

By _____

CONTRACT AMENDMENT

I. Parties

The parties to this contract amendment are Multnomah County, Oregon (hereinafter "the County") and Multnomah County Employee Union, Local 88, AFSCME, AFL-CIO (hereinafter "the Union").

II. Recitals

WHEREAS, CareOregon, a fully capitated health care provider providing primary health care services under the terms of the Oregon Health Plan, currently is a Division of the Department of Health; and

WHEREAS, there are substantial advantages for CareOregon to become a private non-profit corporation, and this transition is planned for on or about April 1997; and

WHEREAS, the parties are signatory to the 1992-1995 Agreement, as amended December 7, 1994 and extended through June 30, 1998 ("the Agreement"); and

WHEREAS, the parties are jointly desirous of providing a transition plan for CareOregon and its staff which would maximize employee security and minimize disruption to the operations of CareOregon;

NOW, therefore the parties agree as follows:

Addendum E, "Premium Pay and Other Special Provisions," Section C., "Department of Health Services," of the Agreement is amended to add Subsection 5, as follows:

"5. Transition of CareOregon to Private Non-Profit Status

It is understood by the parties that in the event that CareOregon, Inc. a new private non-profit corporation, is incorporated as the successor to CareOregon, a Division of the Multnomah County Health Department, that there will be a personnel agreement between Multnomah County and CareOregon, Inc., which will provide for continuation of personnel services by Multnomah County to CareOregon, Inc. Employees hired by CareOregon, Inc. subsequent to the transition, to include any County employees resigning under Section "c." below, will be employees of CareOregon, Inc., and subject exclusively to the wages, hours and working conditions of that corporation. Employees of Multnomah County represented by the Union, including probationary employees, who remain in the same classification, will remain County employees and will continue to be governed by all the terms of the Agreement or its successor, including the terms for wages, fringe benefits, hours and working conditions, except for the following special provisions:

- a. It is recognized that employees may be subject to the immediate supervision of CareOregon, Inc. managers and supervisors, and that this supervision shall be functionally the same as for County supervision except that any letter of discipline must be co-signed by a County employee supervisor or manager, and any grievance response similarly co-signed. Nothing shall preclude, however, issuance of discipline by the appropriate County manager or supervisor without a CareOregon, Inc. co-signature.
- b. Unless terminated prior to its normal expiration date, effective on or about April 1999 the personnel services agreement between Multnomah County and CareOregon will expire, and each employee will be required six months prior to the date of this expiration to sign an irrevocable option to continue employment with Multnomah County or become an employee of CareOregon, Inc.

- (1) In the event that the employee opts to remain with Multnomah County, he/she will be afforded an opportunity to be interviewed by representatives of the Employee Services Division to explore pre-layoff transfer options. Notwithstanding these special efforts, the provisions of Article 21, Seniority and Layoff, will fully apply.
- (2) In the event that an employee opts to transfer to CareOregon, Inc. that opting is irrevocable unless a job is not available for the employee at the time of transfer, in which event the employee will be subject to layoff in accordance with the provisions of Article 21.
- (3) In the event of a termination of the personnel services agreement prior to April 1999, employees may be subject to layoff in accordance with the provisions of Article 21.

c. As new vacancies arise for whatever reason at CareOregon, Inc. they shall be filled exclusively by CareOregon, Inc. employees. Nothing shall preclude employees governed by this Agreement from applying for and being appointed, upon resignation from the County, to any such vacancy. Additionally, an employee may with the consent of CareOregon, Inc. resign from the County and take his or her current position as a CareOregon, Inc. employee.

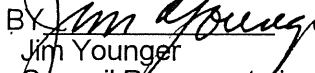
IN WITNESS WHEREOF, the parties hereto have set their hands this ____ day of ____
_____, 199__.

MULTNOMAH COUNTY EMPLOYEES
UNION, LOCAL 88, AFSCME,
AFL-CIO

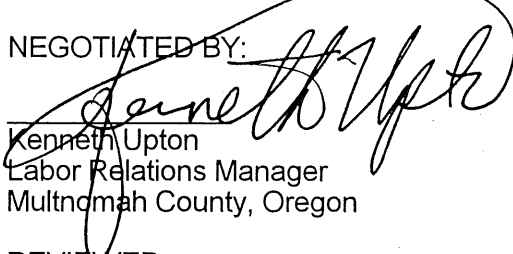
BY 
President

MULTNOMAH COUNTY, OREGON
CHAIR

BY _____
County Chair

BY 
Jim Younger
Council Representative
AFSCME Council 75

NEGOTIATED BY:


Kenneth Upton
Labor Relations Manager
Multnomah County, Oregon

REVIEWED:

Sandra Duffy
Acting County Counsel
Multnomah County, Oregon

By _____

DRAFT
MARCH 13, 1997

TRANSFER AGREEMENT

This TRANSFER AGREEMENT (the "Agreement") is made and entered into as of the _____ day of April, 1997, by and between Multnomah County, a home rule political subdivision of the State of Oregon ("County"), and CareOregon, Inc., ("CareOregon"), an Oregon nonprofit public benefit corporation.

RECITALS

A. Multnomah County. Multnomah County is a home rule political subdivision organized and existing under the laws and constitution of the State of Oregon. Oregon Revised Statutes Section 203.010 authorizes County to transfer any program, including all the assets liabilities, and business operations of the program, to a private nonprofit corporation.

B. Multnomah County dba CareOregon, Inc.

(1) OHP Contract. Multnomah County operates a fully capitated health plan known as CareOregon ("Program"). Program is a contractor with the State of Oregon, Department of Human Resources, Oregon Medical Assistance Program ("OMAP"), providing certain health care services to OMAP members under the Oregon Health Plan ("OHP"), pursuant to the Oregon Health Plan Fully Capitated Health Plan Agreement #60669 dated October 1, 1996 (the "OHP Contract").

(2) Program Management. Since Program's inception in 1994, County has staffed and managed Program under the assumed business name "CareOregon."

C. CareOregon, Inc.

(1) Incorporation and Tax Status. CareOregon, Inc. is an Oregon nonprofit public benefit corporation and is seeking confirmation that it can maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code while operating the Program.

(2) Purposes. CareOregon, Inc. is organized and operated exclusively for charitable, educational and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended or the corresponding provision of any future federal income tax laws (the "Code").

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The specific and primary purpose of CareOregon, Inc. is to provide comprehensive personal health care services and resources to persons covered under Title XIX of the Social Security Act (Medicaid) in connection with the Oregon Health Plan program administered by OMAP.

CareOregon, Inc. intends to make these services and resources available without regard to race, color, creed, sex or national origin, and Care Oregon, Inc. intends to further extend its services to the economically disadvantaged and medically under served population as described above.

CareOregon, Inc. intends to place special emphasis on preventative medicine and primary care case management for the purpose of increasing access to quality, cost-effective health care.

(3) Current Operations. CareOregon, Inc. currently has no business operations other than in preparation for the transfer of Program described below.

(4) Purpose of Transfer Agreement. CareOregon, Inc. desires, as of April 1, 1997 (the "Transfer Date"), to provide comprehensive personal health care services as a contractor with OMAP under the OHP, to assume all the obligations of County under the OHP Contract under the terms and conditions of the Assignment and Assumption Agreement dated _____, 1997, a copy of which is attached hereto as Exhibit A and incorporated herein, and to perform all of the business operations of Program performed by County prior to the Transfer Date. Accordingly, this Agreement and the exhibits hereto provide for the terms and conditions of the transfer of assets, liabilities, employees, contracts, and program operations of Program from County to CareOregon, Inc. CareOregon, Inc. is assuming responsibility for the duties currently being provided by County to operate Program.

AGREEMENT

NOW, THEREFORE, the parties agree as follows:

1. TRANSFER OF ASSETS; LIABILITIES.

A. Assets Transferred. County agrees to transfer to CareOregon, Inc. and CareOregon, Inc. agrees to obtain from County on the terms and conditions set forth in this Agreement and subject to Section 2 below, all of the following assets, tangible and intangible, used by County in connection with the operation of the Program (the "Assets"), including, but not limited to:

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- (1) All equipment, supplies, books and records, and other personal property used by County in the operation of the Program and located, as of the Transfer Date, on the Premises (as defined in the Lease attached hereto as Exhibit C);
- (2) All rights in contracts entered into by County for Program (which shall be assigned in accordance with Section 5.A below), including but not limited to, the OHP Contract, the Administrative Service Agreement between County and BestChoice Administrator, Inc., dated effective February 1, 1994, as amended by Amendment No. 1 dated effective February 1, 1995, and by Amendment No. 2 dated July 27, 1995, the Intergovernmental Agreements between County and various Oregon counties, and the Agreement between County and University Hospital of the Oregon Health Services University dated June 30, 1995, all provider agreements for primary care, specialty care, and ancillary services, and all leases for office equipment;
- (3) All accounts receivable;
- (4) Subject to Section 8 below, cash, notes receivable, prepaid accounts, financial reserves, and interest income; and
- (5) The name "CareOregon, Inc." or any variation thereof and goodwill associated therewith.

B. Liabilities Assumed. County shall retain all obligations incurred prior to the Transfer Date of whatever kind and nature, except that CareOregon, Inc. shall accept and assume responsibility for:

- (1) payment of all accounts payable, including but not limited to all outstanding (a) medical services claims for medical services provided prior to the Transfer Date but not paid as of the Transfer Date, and (b) accounts payable for supplies ordered by County but not delivered as of the Transfer Date; and
- (2) all liabilities assumed by CareOregon, Inc. under the Assignment and Assumption Agreement attached hereto as Exhibit A.

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2. EXCLUDED ASSETS.

Excluded from transfer under this Agreement are all telephones and related equipment used by County for the Program, which will be provided in accordance with Section 9.B below.

3. TRANSFER OF BUSINESS OPERATIONS OF PROGRAM.

Except as otherwise provided in this Agreement and the Exhibits attached hereto, as of the Transfer Date, County shall transfer to CareOregon, Inc. all the business operations of Program.

4. CONSIDERATION.

The transfer of the Assets under this Agreement shall be for valuable consideration, the adequacy of which is hereby acknowledged by the parties.

5. ASSIGNMENT OF CONTRACTS.

A. Existing Contracts. As of the Transfer Date, all contracts that County has entered into in connection with Program, including but not limited to those listed on Schedule 5.A, shall be assigned to CareOregon, Inc. The OHP Contract shall be assigned under the terms and conditions of the Assignment and Assumption Agreement attached hereto as Exhibit A. CareOregon, Inc. shall give all necessary notices and obtain all necessary consents to the assignment of such contracts.

B. Entering into Future Contracts. To the extent certain contracts are not assigned under Section 5.A, and for any renewals or extensions of contracts assigned under Section 5.A, as of the Transfer Date, CareOregon, Inc. shall be:

- (1) responsible for obtaining its own contracts with OMAP, Oregon Health Sciences University, Oregon and Washington Counties, providers of health care services, and any other parties necessary to continue the business operations of Program; and
- (2) required to obtain in its own name the following: space and equipment leases; general liability insurance; workers' compensation insurance for employees employed by CareOregon, Inc.; directors and officers insurance; and errors and omissions insurance.

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6. EMPLOYEES.

As of the Transfer Date, specified County employees shall continue to perform the business operations of Program under the terms and conditions of the Personnel Services Agreement between County and CareOregon, Inc. dated _____, 1997, a copy of which is attached hereto as Exhibit B and incorporated herein.

7. COLLECTION OF COUNTY'S ACCOUNTS RECEIVABLE.

County shall have no rights to any accounts receivable of Program accrued [recognized?] as of the Transfer Date. Any accounts receivable accrued as of the Transfer Date that have not been collected on the Transfer Date shall be collected by CareOregon, Inc. in the ordinary course of business for the account of CareOregon, Inc.

8. CASH AND RESERVE ACCOUNTS; INTEREST.

As provided in Section 1, on the Transfer Date, County shall transfer the following to CareOregon, Inc.:

A. OMAP Reserves. \$255,000 of the current balance plus interest accrued thereon as of the Transfer Date of the OMAP Reserve Account, U. S. National Bank, Account No. 070-0003-551.

B. Cash Accounts. The amounts as of the Transfer Date in CareOregon's designated funds accounts within the County's general ledger (No. 390-1010 less the sum of Nos. 390-2700 and 390-2800) (the "Fund"), except for the amounts specified below to be retained by County for payment of expenses incurred by County in connection with the Program prior to the Transfer Date (the "Retention Account"), as follows:

- (1) For 30 days after the Transfer Date, \$1.1 million; and
- (2) From the 31st day after the Transfer Date through December 31, 1997, before the close of the County's general ledger for fiscal year 1997, (unless earlier deemed unnecessary by mutual agreement of the parties), \$100,000 of the amount retained in (1) above.

On the Transfer Date, the County shall remit to CareOregon, Inc. an estimated amount of the Fund of \$9.5 million (the "Estimate"). The difference between the amount of the Estimate and the amount of the Fund shall be remitted to the appropriate party as soon as the actual amount is determined. The County may retain any amount owed by CareOregon, Inc. for the adjustment of the Fund from the balance of the Retention Account. County shall remit any remaining balance in the Retention Account to CareOregon, Inc. on January 1,

1998. County shall use amounts in the Retention Account to pay health services claims and payroll charges incurred by and on behalf of Program by County. Payroll, invoices, and bills for goods and services incurred prior to the Transfer Date, and consistent with the existing CareOregon, Inc. fund budget shall be forwarded to the County for payment. County may use amounts in the Retention Account to pay other expenses only with the prior written approval of CareOregon, Inc. County shall pay CareOregon, Inc. interest on amounts in the Retention Account in accordance with Section 9.D below. It is agreed that should an expense incurred prior to the Transfer Date, or a revenue earned or received at any time be received after County remits the Retention Account to CareOregon, Inc., the County shall forward the expense or revenue to CareOregon, Inc. within 15 days of receipt of any such items and CareOregon, Inc. will be responsible to take appropriate action.

9. COUNTY SERVICES.

As of the Transfer Date, County shall provide the following to CareOregon, Inc.:

A. Lease of Program Space. Certain space currently occupied by Program in the real property owned by County and known as 421 S.W. Fifth Avenue, 2nd Floor, Portland, Oregon 97204 (the "Premises"), which County shall lease to CareOregon, Inc. under the terms and conditions of the Lease Agreement between County and CareOregon, Inc. dated _____, 1997, a copy of which is attached hereto as Exhibit C and incorporated herein.

B. Telephone Service. Telephone equipment and telephone service substantially equivalent to that provided to Program prior to the Transfer Date and any additional or upgraded telephone equipment or service requested by CareOregon, Inc. CareOregon, Inc. shall reimburse County its actual costs of providing the telephone equipment and service described in this Section 9.B.

C. Interoffice Mail. Interoffice mail service substantially equivalent to that used by Program prior to the Transfer Date. CareOregon, Inc. shall reimburse County its actual costs of providing the interoffice mail service described in this Section 9.C.

D. Investment Services. Investment services for surplus funds identified by CareOregon, Inc. in accordance with ORS ch 294 and the County Investment Policy, a copy of which is attached hereto as Exhibit D and incorporated herein. For any investment income earned on behalf of CareOregon, Inc., County will charge CareOregon, Inc. an administrative fee of one percent (1%) of the investment earnings attributable to CareOregon, Inc.'s surplus funds, which charge will be assessed monthly prior to the distribution of the earnings to CareOregon, Inc. County shall provide CareOregon, Inc. with investment reports on a monthly basis. CareOregon, Inc. shall give County at least one business day's

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notice of requests for withdrawals of funds in amounts of \$1,000,000 or more. Either party may terminate the investment services described in this Section 9.D upon 30 days' written notice.

10. AUDITS.

County and CareOregon, Inc. shall cooperate and provide each other with documentation as necessary for the preparation of audits for the calendar years ending December, 1996, and 1997 and for the fiscal year ending June 30, 1997.

11. COUNTY'S REPRESENTATIONS AND WARRANTIES.

County represents and warrants to CareOregon, Inc. as follows:

A. Authorization. The execution, delivery, and performance of this Agreement, and any of the Exhibits hereto to which County is a party, have been duly approved by County, and this Agreement and any such Exhibits shall upon their execution constitute valid and binding agreements of County enforceable in accordance with their terms.

B. Financial Statements. County has delivered to CareOregon, Inc. a balance sheet for Program's fiscal year ended June 30, 1996, and a balance sheet for the period ending February 28, 1997. These balance sheets were prepared in accordance with the books and records of Program and County and are true, correct, and complete in all material respects. Since the close of Program's and County's last fiscal year and the date hereof, there has been no material adverse change in the financial condition of Program.

C. Litigation or Liabilities. County has no knowledge of any claim, litigation, proceeding, or investigation pending or threatened against County that might result in any material adverse change in the business or condition of the Assets being conveyed under this Agreement; and there are no liabilities of County that shall be the responsibility of CareOregon, Inc. except as expressly provided herein.

D. Title to Assets; Contracts. Except for the liabilities assumed by CareOregon, Inc. pursuant to Section 1.B, County holds good and marketable title to the Assets, free and clear of liens, pledges, charges, or encumbrances. All material contracts, leases, and other agreements of County have been disclosed to CareOregon, Inc. or its representatives.

E. Accuracy of Representations and Warranties. None of the representations or warranties of County in this Section 11 contain or will contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary in order to make such representations or warranties not materially misleading.

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12. REPRESENTATIONS OF CAREOREGON, INC.

CareOregon, Inc. represents and warrants to County as follows:

A. Corporate Existence. CareOregon, Inc. is and on the Transfer Date will be a nonprofit public benefit corporation duly organized and validly existing under the laws of the state of Oregon. CareOregon, Inc. has all requisite corporate power and authority to enter into this Agreement, and any of the Exhibits hereto to which it is a party and perform its obligations thereunder.

B. Authorization. The execution, delivery, and performance of this Agreement, and any of the Exhibits hereto to which CareOregon, Inc. is a party, have been duly authorized and approved by the board of directors of CareOregon, Inc., and this Agreement and any such Exhibits shall upon their execution constitute valid and binding agreements of CareOregon, Inc., enforceable in accordance with their terms.

C. Accuracy of Representations and Warranties. None of the representations or warranties of CareOregon, Inc. in this Section 12 contain or will contain any untrue statement of a material fact or omit or will omit or misstate a material fact necessary in order to make the statements contained herein not misleading.

13. COVENANTS OF COUNTY AND PROGRAM.

A. County's Operation of Business of Program Prior to Closing. Between the date of this Agreement and the Transfer Date, County will (a) use its reasonable best efforts to conduct the business of Program in a reasonable and prudent manner in the usual and ordinary course, consistent with past practice; (b) not enter into any transaction outside of the ordinary course of business, and not enter into any material contract extending beyond the Transfer Date; (c) preserve its existing business organization and relations with its employees, customers, suppliers, and others with whom it has a business relationship; (d) except as otherwise provided herein, obtain consents from all third parties who must be notified of the transfer or whose consent is required to the transfer including the County Board of Commissioners; and (e) include in any contracts entered into by County a provision explicitly permitting assignment of the contract to CareOregon, Inc.

B. Change of Name. On or before the Transfer Date, County will take all action necessary or appropriate to permit CareOregon, Inc. to legally commence use of CareOregon, Inc.'s name on the Transfer Date.

C. Conditions and Best Efforts. County will use its best efforts to effectuate the transactions contemplated by this Agreement and the Exhibits hereto and to fulfill all the conditions of the obligations of County under this Agreement and such Exhibits, and will do

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all acts and things as may be required to carry out its obligations under this Agreement and such Exhibits and to consummate and complete this Agreement and such Exhibits in a timely manner.

D. Confidential Information. If for any reason the transfer of Assets contemplated by this Agreement is not closed, to the extent permitted by the Oregon public records law, ORS 192.410 to 192.505, County will not disclose to third parties any information designated as confidential by CareOregon, Inc. and received from CareOregon, Inc. in the course of investigating, negotiating, and performing the transactions contemplated by this Agreement and the Exhibits hereto.

14. COVENANTS OF CAREOREGON, INC.

A. Conditions and Best Efforts. CareOregon, Inc. will use its best efforts to effectuate the transactions contemplated by this Agreement and the Exhibits hereto and to fulfill all the conditions of the obligations of CareOregon, Inc. under this Agreement and such Exhibits, and shall do all acts and things as may be required to carry out its obligations under this Agreement and such Exhibits and to consummate and complete this Agreement and such Exhibits in a timely manner.

B. Confidential Information. If for any reason the transfer of Assets contemplated by this Agreement is not closed, CareOregon, Inc. will not disclose to third parties any information designated as confidential by County and received from County in the course of investigating, negotiating, and performing the transactions contemplated by this Agreement and the Exhibits hereto.

15. CONDITIONS PRECEDENT TO CAREOREGON INC.'S OBLIGATIONS.

The obligation of CareOregon, Inc. to consummate the transactions contemplated by this Agreement is subject to the fulfillment, before or at the Transfer Date, of each of the following conditions, any one or portion of which may be waived in writing by CareOregon, Inc.

A. Representations, Warranties, and Covenants of County and Program. All representations and warranties made in this Agreement by County and Program shall be true as of the Transfer Date as fully as though such representations and warranties had been made on and as of the Transfer Date, and, as of the Transfer Date, neither County nor program shall have violated or shall have failed to perform in accordance with any covenant contained in this Agreement.

B. Conditions of the Business. There shall have been no material adverse change in the manner of operation of the business of Program before the Transfer Date.

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C. No Suits or Actions. As of the Transfer Date, no suit, action, or other proceeding shall have been threatened or instituted to restrain, enjoin, or otherwise prevent the consummation of this Agreement or the contemplated transactions.

D. Authorizations. All ordinances and/or resolutions required to authorize the appropriate representatives of County to enter into this Agreement and the Exhibits hereto shall have been obtained.

E. OMAP Consent. OMAP shall have consented to the assignment of the OHP Contract.

16. CONDITIONS PRECEDENT TO OBLIGATIONS OF COUNTY.

The obligation of County to consummate the transactions contemplated by this Agreement are subject to the fulfillment, before or at the Transfer Date, of each of the following conditions, any one or a portion of which may be waived in writing by County:

A. Representation, Warranties, and Covenants of CareOregon, Inc. All representations and warranties made in this Agreement by CareOregon, Inc. shall be true as of the Transfer Date as fully as though such representations and warranties had been made on and as of the Transfer Date, and CareOregon, Inc. shall not have violated or shall not have failed to perform in accordance with any covenant contained in this Agreement.

B. Performance of CareOregon, Inc. Obligations. CareOregon, Inc. shall have performed all obligations required to be performed by it under this Agreement on or before the Transfer Date.

C. OMAP Consent. OMAP shall have consented to the assignment of the OHP Contract.

17. RISK OF LOSS.

The risk of loss, damage, or destruction to any of the equipment, inventory, or other personal property to be conveyed to CareOregon, Inc. under this Agreement shall be borne by County up to the Transfer Date and by CareOregon, Inc. thereafter. In the event of such loss, damage, or destruction prior to the Transfer Date, County, to the extent reasonable, may replace the lost property or repair the damaged property to its condition before the damage or agree with CareOregon, Inc. to an adjustment in the Assets described in Section 1. If County and CareOregon, Inc. are unable to agree, then either party, at their sole option and notwithstanding any other provision of this Agreement, upon written notice to the other, may rescind this Agreement and declare it to be of no further force and effect, in which event there shall be no closing of this Agreement and all the terms and provisions of

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this Agreement (except Section 14.B which shall survive) shall be deemed null and void. If, before the Transfer Date, any of the Premises that are the subject of the Lease described in Section 9.A and attached hereto as Exhibit C are damaged or destroyed, then CareOregon, Inc. may rescind this Agreement in the manner provided above unless arrangements for repair satisfactory to all parties involved are made prior to closing.

18. INDEMNIFICATION AND SURVIVAL.

A. Survival of Representations and Warranties. All representations and warranties made in this Agreement shall survive the closing of this Agreement, except that any party to whom a representation or warranty has been made in this Agreement shall be deemed to have waived any misrepresentation or breach of representation or warranty of which such party had knowledge before closing. Any party learning of a misrepresentation or breach of representation or warranty under this Agreement shall immediately give written notice thereof to all other parties to this Agreement. The representations and warranties in this Agreement shall terminate two years from the Transfer Date, and such representations or warranties shall thereafter be without force or effect, except for any claim with respect to which specific written notice has been given to the party to be charged prior to such expiration date.

B. Continuing Obligation of CareOregon, Inc.. Any and all claims, liabilities, and obligations of every kind and description arising out of or related to the operation of the business of Program following closing or arising out of CareOregon, Inc.'s failure to perform obligations of County assumed by CareOregon, Inc. pursuant to this Agreement shall be the sole and exclusive obligation of CareOregon, Inc.

C. County's Indemnification. Except as otherwise provided in this Agreement and the Exhibits attached hereto, County shall defend, indemnify and hold CareOregon, Inc. harmless against any breach or alleged breach of the obligations and liabilities retained hereunder.

D. CareOregon, Inc.'s Indemnification. Except as otherwise provided in this Agreement and the Exhibits attached hereto, CareOregon, Inc. shall defend, indemnify and hold County harmless against any breach or alleged breach of the obligations and liabilities assumed hereunder.

E. Defense of Claims. Each party shall tender defense to the other party of any claims for which the party is indemnifying the other party hereunder within two business days of receipt of notice (whether written or oral) if such claim.

19. LIABILITY INSURANCE.

A. CareOregon, Inc. shall obtain and keep in effect for a period of two years from the Transfer Date a comprehensive general business liability insurance policy, issued by a company authorized to transact business in the state of Oregon. Such liability insurance shall have limits provided therein of at least \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages, arising out of a single accident or occurrence, \$200,000 for injury to any one person, and \$500,000 for total injuries and/or damages arising out of a single accident or occurrence. These limits shall not limit indemnities assumed elsewhere in this Agreement.

B. A certificate of insurance showing current standard comprehensive liability coverage in the stated amounts, or a copy thereof, is attached to this Agreement as Exhibit E and incorporated herein.

C. For a period of two years from the Transfer Date, the insurance shall provide for notice to County by the insuring carrier of nonpayment of premiums and that such insurance will not be canceled or released except upon 10 days' prior written notice to County. CareOregon, Inc. shall promptly pay when due the cost of all such insurance. If it fails to do so, County may, at its option, pay the same and CareOregon, Inc. shall reimburse County therefore immediately upon demand.

D. CareOregon, Inc. shall also maintain for a period of two years from the Transfer Date any and all insurance required under the OHP Contract. CareOregon, Inc. agrees to provide County notice of any change in the insurance coverages required under the OHP Contract.

20. CLOSING.

A. Time and Place. This transfer of assets under this Agreement and the exhibits hereto shall be closed at the offices of Miller Nash, Wiener, Hager & Carlsen, at 111 S.W. Fifth Avenue, Suite 3500, at 3:00 p.m. on March 31, 1997, or at such other time and place as the parties may agree. If closing has not occurred on or before June 1, 1997, then either party may elect to terminate this Agreement. If, however, the closing has not occurred because of a breach of this Agreement by one or more parties, the breaching party or parties shall remain liable for breach of contract notwithstanding termination.

B. Obligations of County at the Closing. At the closing and coincidentally with the performance by CareOregon, Inc. of its obligations described in Section 16, County shall deliver to CareOregon, Inc. the following:

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- (1) Bills of sale, assignments, and other instruments of transfer, in form and substance reasonably satisfactory to counsel for CareOregon, Inc., necessary to transfer and convey the Assets to CareOregon, Inc.;
- (2) Possession of the Premises containing all of the Assets; and
- (3) Executed copies of each of the Assignment and Assumption Agreement, the Personnel Services Agreement, and Lease Agreement attached hereto as Exhibits A, B, and C respectively.

C. Obligations of CareOregon, Inc. at the Closing. At the closing and coincidentally with the performance by County of its obligations described in Section 15, CareOregon, Inc. shall deliver to County the following:

- (1) A true copy of CareOregon, Inc.'s Restated Articles of Incorporation and Bylaws; and
- (2) Executed copies of each of the Assignment and Assumption Agreement, the Personnel Services Agreement, and Lease Agreement attached hereto as Exhibits A, B, and C respectively.

D. Termination By Mutual Consent. This Agreement may be terminated at any time by mutual written consent of CareOregon, Inc. and County.

21. POST-CLOSING OBLIGATIONS.

A. Retention of and Access to Books and Records. CareOregon, Inc. will retain County documents related to the Program for a period of three years or for the time required by County's Records Management Policy and shall allow County access to CareOregon, Inc. documents for any purpose.

B. Cooperation in the Event of Third-Party Litigation. Each party shall give the other party notice in writing within five days of the date any action or suit is filed or any claim is made against that party that may result in litigation in any way related to this Agreement or the operation of Program prior to the Transfer Date. County shall give CareOregon, Inc. notice in writing within five days of the date any action or suit is filed or any claim is made against County that may result in litigation in any way related to this Agreement or the operation of CareOregon, Inc. after the Transfer Date. In the event of third-party litigation, CareOregon, Inc. and County agree to cooperate with each other in providing information about which either party has any knowledge relating to the operations of the Program prior to the Transfer Date, the transactions contemplated by this Transfer

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Agreement, or the operations of CareOregon, Inc. after the Transfer Date about which such party has any information and that is relevant to the other party's defense.

22. MISCELLANEOUS.

A. Amendments. This Agreement may be modified only in writing signed on behalf of both parties.

B. Termination. This Agreement may be terminated as follows:

(1) Termination Without Default. In the event the parties shall mutually agree in writing to terminate this Agreement, this Agreement shall be terminated on the terms and date stipulated therein.

(2) Termination For Default. This Agreement may be terminated by either party upon the default of the other party. Termination for default is effective upon sending of a written notice of termination.

C. Construction of Agreement. This Agreement has been negotiated by the parties. The parties do not intend that any part of it be construed against any party on the ground that a particular provision may have been drafted by the party.

D. Mediation/Arbitration. Any disputes arising now or hereafter in connection with the execution or operation of this Agreement between County and CareOregon, Inc. shall be resolved by mediation or arbitration in accordance with the procedures of U.S. Arbitration & Mediation ("USA&M") or such other procedures as may be agreed upon by the parties. The parties shall first attempt nonbinding mediation with a neutral mediator agreed upon by the parties from a list provided by USA&M or as otherwise agreed. If mediation is unsuccessful, the dispute shall be submitted to arbitration. All arbitration proceedings shall be conducted by a neutral arbitrator mutually agreed upon by the parties from a list provided by USA&M or as otherwise agreed. The decision of the arbitrator shall be final and binding on all parties. Each party shall keep confidential any mediation or arbitration proceeding conducted hereunder to the extent permitted by Oregon law. Each party shall bear its own costs, including attorneys fees, of mediation and arbitration.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of the date first written above.

CAREOREGON, INC.,
an Oregon nonprofit corporation

MULTNOMAH COUNTY dba
CAREOREGON

By _____
Title _____
Date _____

By _____
Title _____
Date _____

REVIEWED:

County Counsel for Multnomah County,
Oregon

By _____
Date _____

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Exhibits

- A - Assignment and Assumption Agreement**
- B - Personnel Services Agreement**
- C - Lease Agreement**
- D - County Investment Policy**
- E - Certificate of Insurance**

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ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Agreement") is made and entered into as of the 1st day of April, 1997, by and between Multnomah County, a home rule political subdivision of the State of Oregon ("County") doing business as CareOregon, and CareOregon, Inc., an Oregon nonprofit public benefit corporation.

A. County operates a fully capitated health plan known as CareOregon ("Program"). Program is a contractor with the State of Oregon, Department of Human Resources, Oregon Medical Assistance Program ("OMAP"), providing certain health care services to OMAP members under the Oregon Health Plan ("OHP"), pursuant to the Oregon Health Plan Fully Capitated Health Plan Agreement #60669 dated October 1, 1996 (the "OHP Contract").

B. CareOregon, Inc. is an Oregon nonprofit public benefit corporation that desires, as of and after the Transfer Date (as defined below), to provide comprehensive personal health care services as a contractor with OMAP under the OHP, and to perform all of the business operations performed by Program prior to the Transfer Date.

C. Except as otherwise provided herein, County and CareOregon, Inc. have agreed to transfer all of the business operations, assets, and liabilities of Program to CareOregon, Inc., effective as of April 1, 1997 (the "Transfer Date"), under the terms and conditions of an agreement of transfer by and between County and CareOregon, Inc. dated April ____, 1997 (the "Transfer Agreement"), to which this Agreement is attached as Exhibit A.

D. Pursuant to the Transfer Agreement, as of the Transfer Date, County desires to transfer to CareOregon, Inc., all of its right, title, and interest in, and to, and liability and responsibility for, the OMAP members under the OHP Contract.

E. Pursuant to the Transfer Agreement, as of the Transfer Date, CareOregon, Inc. desires to assume all of the obligations, liabilities, and responsibilities for providing health care services to OMAP members under the OHP Contract.

NOW, THEREFORE, the parties agree as follows:

1. Assignment. As of the Transfer Date, County does hereby sell, assign, and transfer to CareOregon, Inc. all of County's right, title, and interest in and to the OHP Contract, and any renewals, extensions, amendments, or modifications thereof, including its right to receive consideration from OMAP.

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2. Assumption. Except as otherwise provided in this Agreement, as of the Transfer Date, CareOregon, Inc. hereby assumes and agrees to pay, discharge, and perform all the obligations, responsibilities, duties, and liabilities of County under the OHP Contract.

3. Indemnification of County and CareOregon, Inc. CareOregon, Inc. shall defend, indemnify, and hold County harmless against any breach or alleged breach of the obligations assigned hereunder, and County shall tender defense of any such claim to CareOregon, Inc. within two business days of receipt of notice (whether written or oral) of such claim. County shall defend, indemnify, and hold CareOregon harmless against any breach or alleged breach of the obligations of County prior to the Transfer Date under the OHP Contract, and CareOregon shall tender defense of any such claim to County within two business days of receipt of notice (whether written or oral) of such claim.

4. Indemnification of State of Oregon. Each party shall indemnify the State of Oregon for any cost, loss or exposure, including reasonable attorney fees, incurred by the State due, directly or indirectly, to the party's actions or omissions with respect to the claims and liabilities for which the party is responsible hereunder, as described in Section 6 below.

5. Representations and Warranties of County. County makes the assignment described in Section 1 without representations and warranties other than that (i) County has full legal authority to assign its right, title, and interest in and to the OHP Contract to CareOregon, Inc.; (ii) County has not assigned or agreed to assign any such right, title, and interest to any person or entity other than CareOregon, Inc.; and (iii) as of the date hereof, neither County nor Program is in breach of the OHP Contract, nor does either of them have any knowledge of any claim, litigation, or investigation pending or threatened arising from, or related to, the OHP Contract.

6. Liabilities Retained/Assumed. As of the Transfer Date, except as otherwise stated in this Section 6, County shall transfer to CareOregon, Inc. all liability for OMAP members under the OHP Contract, including all claims arising therefrom, whether known or unknown.

a. Hospitalization. CareOregon, Inc. shall assume all fiscal responsibility and liability for payment of medical service claims incurred prior to the Transfer Date but not yet paid for OMAP members who are receiving hospital inpatient care pursuant to the OHP Contract on the Transfer Date until they are appropriately discharged from the hospital. As of the

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Transfer Date, CareOregon, Inc. shall assume case management responsibility for any hospitalized patients.

7. Provider Notices. CareOregon, Inc. shall, by April 30, 1997, mail to all subcontracted providers of health care services under the OHP Contract a notice of the assignment accomplished by this Agreement in a form reasonably acceptable to County.

8. Covenants of CareOregon, Inc.

a. Primary Care. CareOregon, Inc. shall take no action to effect a change of primary care provider from Program's member providers to any other provider other than to support the free choice of health plan enrollees, or upon discharge of an enrollee from a primary care practice.

b. Data Reporting. CareOregon, Inc. shall provide OMAP with all information due to be reported to OMAP under the OHP Contract including, but not limited to, encounter data, membership enrollment/disenrollment data, and financial solvency reports arising on and after the Transfer Date.

9. Conditions to Assignment.

a. Transition Plan. On or before the Transfer Date, the parties shall have prepared and submitted to OMAP and OMAP shall have approved a transition plan or other documentation outlining the process and resources necessary to effect a smooth transition of the obligations of County under the OHP Contract assigned under this Agreement (the "Transition Plan"), including but not limited to: (i) whatever personnel resources are necessary to ensure a smooth transition of membership; (ii) the orderly and reasonable transition of OMAP members' care in progress, whether or not those OMAP members are hospitalized.

b. Consent of OMAP. The parties agree that this Agreement will become null and void in its entirety if OMAP does not consent in writing to the assumption and assignment memorialized in this Agreement by June 1, 1997. The parties shall cooperate in good faith to make any changes to this Agreement or the Transition Plan reasonably required by any provisions of law to effect the assignment under this Agreement or to obtain the consent of OMAP.

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10. Miscellaneous.

a. This Agreement shall be construed in accordance with the laws of the state of Oregon.

b. This Agreement is the entire understanding among the parties hereto regarding the subject matter addressed herein, and no changes, amendments, or alterations shall be effective unless agreed to in writing by both parties.

c. The unenforceability or invalidity of any paragraph or subparagraph of this Agreement shall not affect the enforceability and validity of the balance of this Agreement.

d. The parties agree to meet and confer in good faith to resolve any problems or disputes that may arise under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective as of the date first written above.

CAREOREGON, INC.,
an Oregon nonprofit corporation

MULTNOMAH COUNTY dba
CAREOREGON

By _____

By _____

Title _____

Title _____

Date _____

Date _____

REVIEWED:

County Counsel for Multnomah County,
Oregon

By _____

Date _____

PERSONNEL SERVICES CONTRACT

THIS CONTRACT is between Multnomah County, a home rule political subdivision of the state of Oregon (COUNTY), and CareOregon, Inc., an Oregon nonprofit public benefit corporation (CONTRACTOR).

WITNESSETH:

WHEREAS, COUNTY's Health Department has staffed and managed CareOregon, an assumed business name of Multnomah County, since the inception of CareOregon in 1994 as a fully capitated health plan providing managed care services under the Oregon Health Plan (OHP), and

WHEREAS, CONTRACTOR has formed a private nonprofit corporation under ORS chapter 65 to assume the functions formerly performed by COUNTY employees, and

WHEREAS, CONTRACTOR wishes to continue to use the services of these experienced COUNTY employees for a limited period of time, and

WHEREAS, COUNTY is interested in supporting CONTRACTOR's purpose of providing managed care medical services to unserved and underserved populations in Multnomah County and throughout the state of Oregon, and

WHEREAS, COUNTY is willing to enter into a time-limited contract to permit CONTRACTOR to continue to use the service of COUNTY employees during the initial operations of CONTRACTOR under the terms and conditions set forth; now, THEREFORE,

IN CONSIDERATION of those mutual promises and the terms and conditions set forth hereafter, the parties agree as follows:

1. Term

The term of this Contract shall be from _____ to and including _____, unless sooner terminated under the provisions hereof.

2. Services

- A. Under the terms of this Contract, the COUNTY employees listed in Attachment 1, which is attached to this Contract and incorporated herein, shall

be made available to CONTRACTOR to continue to provide the services they previously provided to CONTRACTOR when it was a division of the COUNTY's Health Department, consistent with CONTRACTOR's scheduling and business needs.

B. These COUNTY employees shall be available to CONTRACTOR for the duration of the Contract subject to the following conditions:

1. The COUNTY employees shall retain the right to transfer to other COUNTY positions if they so desire.
2. COUNTY shall retain the right to transfer these COUNTY employees to other COUNTY positions if it so desires.
3. If COUNTY budget changes result in layoffs, the COUNTY employees listed in Attachment 1 shall be subject to displacement by other COUNTY employees in accordance with the applicable union agreement or COUNTY personnel code. CONTRACTOR agrees to accept these replacement employees.
4. CONTRACTOR shall have the right to eliminate positions, subject to its business needs, during the term of this Contract. COUNTY employees in eliminated positions shall be subject to layoff or transfer rights under the applicable union agreement(s) or COUNTY Personnel Ordinance 3.10.
5. CONTRACTOR shall have the right to increase, decrease or otherwise modify work hours and work schedules for COUNTY employees to meet its business needs, subject to the terms of applicable union agreements.

C. It is understood by both parties that those employees listed in Attachment 1 or replacements substituted by COUNTY due to union contract layoff or bumping requirements, if any, shall continue to be employed by COUNTY for the duration of this Contract, subject to those employment and transition provisions contained in Amendment # _____ to the "1992-1995 Agreement

between Multnomah County, Oregon and Multnomah County Employees Union, Local 88, AFSCME AFL-CIO as Amended December 7, 1994, and Extended through June 30, 1998;" Amendment #_____ to the "1994-1998 Agreement between Multnomah County, Oregon and Oregon Nurses Association"; or the provisions of Multnomah County Code 3.10 and the Multnomah County Personnel Rules pertinent to exempt classified and exempt nonclassified employees, all as appended hereto.

- D. No later than by the expiration of this Contract, those COUNTY employees listed in Attachment 1 or their COUNTY employee replacements, if any, who are still providing services to CONTRACTOR must have:
1. Elected consistent with the applicable union contract provisions to become employees of CONTRACTOR;
 2. Elected consistent with the applicable union contract provisions to remain employees of COUNTY and will obtain or actively seek other COUNTY employment pursuant to the terms of the applicable union agreement or COUNTY personnel code; or
 3. Left the employment of COUNTY and stopped providing services to CONTRACTOR.
- E. COUNTY employees shall provide services as requested by and as managed by CONTRACTOR, subject to the following conditions:
1. CONTRACTOR shall act in a manner consistent with the applicable union agreements and COUNTY personnel code that govern COUNTY employees with respect to COUNTY employees providing services to CONTRACTOR.
 2. CONTRACTOR shall not require COUNTY employees to provide services that are not within their COUNTY job classifications. If it is determined that CONTRACTOR has violated this provision:
 - a. CONTRACTOR shall be liable to reimburse COUNTY for additional pay, if any, awarded to the employee.
 - b. CONTRACTOR shall either restructure the position to fit the job classification of the COUNTY employee assigned to fill it or provide COUNTY 30 days' advance notice that the position will

be eliminated and create a new position that will be filled by CONTRACTOR.

3. COUNTY shall not change or reassign the COUNTY supervisory and managerial level personnel who provide services under this Contract without prior notice and discussion with CONTRACTOR.
 4. CONTRACTOR shall not discipline or terminate a COUNTY employee. COUNTY shall retain the right to terminate a COUNTY employee for cause without concurrence by CONTRACTOR. Notwithstanding the foregoing, CONTRACTOR shall have the right to advise COUNTY of any problems related to the performance of services by any COUNTY employee and to request that COUNTY take appropriate corrective action to resolve the problem(s). Should COUNTY fail to take appropriate corrective action, or should circumstances otherwise warrant, CONTRACTOR shall have the right to request that such individual(s) not be permitted to provide additional services to CONTRACTOR.
 5. COUNTY employees shall provide services to CONTRACTOR in a manner consistent with the policies, guidelines, and procedures of CONTRACTOR, to the extent those policies, guidelines, and procedures are not inconsistent with applicable union agreements or COUNTY personnel code.
- F. When a vacancy results from the transfer or termination of a COUNTY employee, CONTRACTOR shall be responsible for filling the vacancy, and the new employee shall be an employee of CONTRACTOR, not COUNTY.

3. Compensation

- A. CONTRACTOR shall pay COUNTY an amount equivalent to COUNTY's actual expenses in keeping the employees listed in Attachment 1 or their replacements, if any, on COUNTY payroll for the term of this Contract. These expenses include, but are not limited to:
1. Salary and wages.
 2. Standard COUNTY benefits according to the terms of the applicable union agreement or COUNTY personnel code.

3. Those COUNTY indirect costs that are specifically related to personnel up to a maximum of 2.58 percent of salaries and benefits.
 - B. CONTRACTOR shall reimburse COUNTY monthly upon receipt of a billing invoice. COUNTY shall invoice CONTRACTOR within 30 days following the end of the month. CONTRACTOR shall pay COUNTY within 15 days of receiving the invoice.
 - C. COUNTY shall perform all payroll and related functions, except on-site timekeeping, for those COUNTY employees listed in Attachment 1 or their replacements, if any, while this Contract is in effect. CONTRACTOR shall perform on-site timekeeping for these employees using COUNTY's timekeeping system and in accordance with COUNTY's timekeeping procedures.
 - D. CONTRACTOR shall assume the payroll and related functions for any person who elects to become an employee of CONTRACTOR during the term of this Contract.
4. Accrued Leave

For each COUNTY employee who elects to become an employee of CONTRACTOR, COUNTY shall pay to CONTRACTOR, at the time of transfer, a sum equal to the number of hours of accrued vacation and sick leave retained times the employee's hourly rate of pay in accordance with ORS 236.610.
 5. Confidentiality

CONTRACTOR shall retain access to COUNTY's timekeeping and health information (HIS Date System) mainframe systems. CONTRACTOR shall access these systems only in accordance with the terms and conditions of the confidentiality agreement between the parties. COUNTY and CONTRACTOR shall keep confidential all information designated or considered by the other party as confidential or proprietary to the fullest extent required or permitted by applicable law.
 6. Contractor Status

CONTRACTOR is a private Oregon nonprofit public benefit corporation, not an agent of COUNTY, and is solely responsible for the conduct of its programs.

7. Workers' Compensation Insurance

COUNTY shall maintain workers' compensation coverage and such supplemental workers' compensation coverage as is required by COUNTY for COUNTY employees assigned to CONTRACTOR under Section 2A. Costs for this coverage shall be billed to CONTRACTOR as part of COUNTY's actual costs under Section 3A of this Contract.

8. Subcontracts

CONTRACTOR shall not subcontract the services of any of those COUNTY employees assigned to provide services to CONTRACTOR under Section 2A of this Contract.

9. Taxpayer Identification Number.

COUNTY shall furnish to CONTRACTOR its federal employer identification number, as designated by the Internal Revenue Service.

10. No Religious Content in Program Delivery or Service

CONTRACTOR acknowledges that there will be no religious content or materials disseminated in any of the services funded under this Contract. The language of this section is not intended to abridge a client's individual rights to exercise freedom of religion and/or speech.

11. Adherence to Law

- A. COUNTY and CONTRACTOR acknowledge their obligation to adhere to all applicable laws governing employment terms and conditions, including, but not limited to, laws, rules, regulations, and policies concerning workers' compensation and minimum and prevailing wage requirements. COUNTY and CONTRACTOR further affirm that they shall not unlawfully discriminate against any individual with respect to hiring, compensation, terms, conditions or privileges or employment, nor shall any person be excluded from participation in, be denied the benefits, or be subjected to discrimination under any program or activity because of such individual's race, color, religion, sex, national origin, age or handicap. In that regard, COUNTY and CONTRACTOR shall comply with all applicable provisions of Executive

Order No. 11246 as amended by Executive Order No. 11375 dated September 24, 1965; Title VII of the Civil Rights Act of 1964 (42 USC 2000E) and Section 504 of the Rehabilitation Act of 1973 as implemented by 45 CFR § 84.4; the Americans with Disabilities Act of 1990; Public Law No. 101-336; and all enacting regulations of the Equal Employment Opportunity Commission and Department of Justice. COUNTY will also comply with all applicable rules, regulations, and orders of the Secretary of Labor concerning equal opportunity in employment and the provision of ORS Chapter 659.

12. Amendment

No amendment may be made to this Contract unless reduced to writing and signed by both parties.

13. Integration

This Contract contains the entire agreement between the parties regarding the subject matters addressed herein and supersedes all prior written or oral discussions or contracts.

14. Termination

A. This contract may be terminated by either party for cause with 60 days' written notice to the other party in accordance with Section 17B, below.

B. Cause for termination:

1. COUNTY may terminate this Contract:

- a. If CONTRACTOR fails to pay COUNTY as prescribed in Section 3B, provided COUNTY provides written notice of nonpayment and CONTRACTOR fails to make payment within 30 calendar days of the date the notice is mailed;
- b. If CONTRACTOR fails to use the services of COUNTY employees assigned under this Contract in accordance with Section 2; or
- c. If CONTRACTOR breaches any material provision of this Contract and fails to cure such breach within 30 days of written notice from COUNTY.

2. CONTRACTOR may terminate this Contract:

- a. If all COUNTY employees listed in Attachment 1 or their replacements, if any, have left COUNTY employment or transferred to other positions within COUNTY;
- b. If the state of Oregon ceases to fund health care services through capitated providers such as CONTRACTOR before the expiration date of this Contract;
- c. If COUNTY breaches any material provision of this Contract and fails to cure such breach within 30 days of written notice from CONTRACTOR;
- d. If the OHP demonstration project ends before the expiration of this Contract; or
- e. If CONTRACTOR ceases to do business in any form or capacity whatsoever.

C. Termination under any provision of this section shall not affect any right, obligation, or liability of CONTRACTOR or COUNTY that accrued before such termination.

15. Notice of Litigation

Each party shall give the other immediate notice in writing of any action or suit filed or any claim made against that party which may result in litigation in any way related to this Contract. **[NOTE: IF THE INDEMNIFICATION PROVISION REMAINS IN THE CONTRACT, MOVE THIS STATEMENT TO THAT PROVISION.]**

16. Oregon Law and Forum

This Contract shall be construed according to the laws of Oregon. Any disputes arising now or hereafter in connection with the execution or operation of this Contract between COUNTY and CONTRACTOR shall be resolved by mediation or arbitration in accordance with the procedures of U.S. Arbitration & Mediation (USA&M) or such other procedures as may be agreed upon by the parties. The parties shall first attempt nonbinding mediation with a neutral mediator agreed upon by the parties from a list provided by USA&M or as otherwise agreed. If mediation is unsuccessful, the dispute shall be submitted to arbitration. All arbitration proceedings shall be

conducted by a neutral arbitrator mutually agreed upon by the parties from a list provided by USA&M or as otherwise agreed. The decision of the arbitrator shall be final and binding on all parties. Each party shall bear its own costs, including attorneys' fees, of mediation and arbitration.

IN WITNESS WHEREOF, the parties have caused this Contract to be executed by their duly authorized officer(s).

CAREOREGON, INC.

MULTNOMAH COUNTY, OREGON

By _____

By _____
Beverly Stein, Multnomah County Chair

Title: _____

Date: _____

Date: _____

By _____
Billi Odegaard, Health Department Director

Date: _____

REVIEWED:

Multnomah County Counsel

By _____

Date: _____

ATTACHMENT 1

	Employee Name	FTE	Job Classification
1	Akagi, Tomiye	1.0	Administrative Secretary
2	Anthony, Jared	1.0	Program Development Technician
3	Barabin, Crystal	1.0	Office Assistant II
4	Brown, Pamela	1.0	Community Health Nurse
5	Ellison, Juanita	0.8	Program Development Technician
6	Freeman, Arenetter	1.0	Office Assistant II
7	Gredler, Amy	0.6	Program Development Specialist
8	Guenther, Nancy	0.5	Health Educator
9	Hennrich, Mary Lou	1.0	Health Services Manager Senior
10	Leidy, Bill	0.5	Fiscal Specialist Senior
11	Maki, Karen	1.0	Health Services Administrator
12	Montoya, Myrsa	1.0	Program Development Specialist
13	Nguyen, Rosa	1.0	Program Development Technician
14	Reid, Chantay	1.0	Program Development Specialist
15	Romm, Carole	1.0	Health Services Administrator
16	Strauss, Ileana	1.0	Community Health Nurse
17	Vermilya, Anita De Oca	1.0	Program Development Technician
18	Waddell, Gerald	1.0	Program Development Technician
19	Wagner, Richard	1.0	Program Development Technician
20			

LEASE

THIS LEASE, made and entered into this _____ day of _____, 1997, by and between MULTNOMAH COUNTY, OREGON, hereinafter referred to as Lessor, and CARE OREGON, Inc., an Oregon corporation, hereinafter referred to as Lessee.

WITNESSETH: Lessor owns a building and other improvements on that certain real property situated in the City of Portland, County of Multnomah and State of Oregon, described in Exhibit "A". Lessor hereby leases to Lessee and Lessee rents from Lessor upon the terms, conditions and covenants hereinafter set forth, the Premises described in Exhibit "B" which are a part of said building.

1. Term: The term of the Lease shall commence March 1, 1997 and shall continue through June 30, 2002. Either party, at its option, may terminate this Lease upon written notice to the other party not less than 90 days prior to the effective date of termination.
2. Rental: Lessee shall pay to Lessor the monthly rental provided herein in advance on or before the first day of each month during the term of this Lease. Monthly rental for the period March 1, 1997 through June 30, 1997 shall be \$5,692.29 per month; monthly rental for the period July 1, 1997 through June 30, 2002 shall be in amounts calculated by multiplying 4,957 (area of Premises in square feet) by the monthly rate per square foot for the space by Multnomah County Facilities & Property Management Division for County office space in the building in which the Premises are located.
3. Acceptance of Premises: Lessee shall accept the Premises "as is".
4. Use of Premises: The Premises shall be used for Care Oregon, Inc. and for no other purpose without Lessor's written consent, which consent shall not be unreasonably withheld. In connection with the use of the Premises, Lessee shall:
 - (a) Conform to all applicable laws and regulations of any public authority affecting the Premises and the use, and correct at Lessee's own expense any failure of compliance created through Lessee's fault, unless such failure is due to Lessor's default in the performance of the agreements hereof to be kept and performed by Lessor.
 - (b) Refrain from any activity which would be reasonably offensive to Lessor, to other lessees in the building in which the leased Premises are situated, or owners or users of the adjoining Premises, or which would tend to create a nuisance or damage the reputation of the leased Premises or said building. Without limiting the generality of the foregoing. Lessee shall not permit any objectionable noise or odor to escape or be emitted from the Premises.
 - (c) Refrain from loading the floors beyond the point considered safe by a competent engineer or architect selected by Lessor.
 - (d) Refrain from making any marks on or attaching any sign, insignia, antenna, aerial or other device to the exterior or interior walls, windows or roof of the Premises without the written consent of the Lessor, which consent shall not be unreasonably withheld. Lessor need not consent to any sign which fails to conform to the general design concept of the building as established by Lessor. Notwithstanding Lessor's consent to any signs. Lessee shall remove all such signs upon termination of the Lease and repair any damage to the Premises caused thereby at Lessee's own cost and expense.
 - (e) Comply with any reasonable rules respecting the use of the Premises promulgated by Lessor from time to time and communicated to Lessee in writing including those contained within the Memorandum of Understanding attached hereto.

- (f) Refrain from any activity which would make it impossible to insure the Premises against casualty or which would increase the insurance rate of the building or prevent Lessor from taking advantage of the ruling of the Insurance Rating Bureau of the state in which the leased Premises are situated or its successors allowing Lessor to obtain reduced premium rates for long term fire insurance policies, unless Lessee pays the additional cost of the insurance for the building.
- (g) Not commit or suffer any strip or waste of the leased Premises or the improvements thereon or any part thereof.
5. Alterations: Lessee shall make no improvements or alterations on the leased Premises of any kind without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Prior to the commencement of any work by the Lessee, Lessee shall first submit its plans and specifications to Lessor for Lessor's consent. All work performed by the Lessee shall be done in strict compliance with all applicable building, fire, sanitary and safety codes, and other applicable laws, statutes, regulations and ordinances, and Lessee shall secure all necessary permits for the same. Lessee shall keep the Premises free from all liens in connection with any such work. All work performed by the Lessee shall be carried forward expeditiously and completed within a reasonable time. Lessor or Lessor's agents shall have the right at all reasonable times to inspect the quality and progress of such work. All improvements, alterations and other work performed on the leased Premises by either Lessor or Lessee shall be the property of Lessor when installed, except for Lessee's trade fixtures, and may not be removed at the expiration of this Lease unless the applicable Lessor's consent specifically provides otherwise. Notwithstanding Lessor's consent to improvements or alterations by Lessee, all such improvements, alterations or other work to be performed by Lessee shall be at the sole cost and expense of Lessee.
6. Repairs and Maintenance:
- (a) The following shall be the responsibility of the Lessor:
- (i) Structural repairs and maintenance and repairs necessitated by structural disrepair or defects.
 - (ii) Repair and maintenance of the exterior wall, roof, gutters, downspouts and foundation of the building in which the leased Premises are located.
 - (iii) Repair of interior wall, ceilings, doors, windows, floors and floor coverings when such repairs are made necessary because of failure of Lessor to keep the structure in repair as above provided in this subparagraph (a).
 - (iv) Maintenance and repair of the heating and air conditioning systems and sprinkler systems, if any.
 - (v) Maintenance of the Premises interior, including repair of the interior walls and floor coverings.
- (b) The following shall be the responsibility of the Lessee:
- (i) Any interior decorating.
 - (ii) Any repairs necessitated by the negligence of Lessee, its agents, employees and invitees.
 - (iii) Any repairs or alterations required under Lessee's obligation to comply with new laws and regulations as set forth in paragraph 4 (a) above.

(c) Lessor shall have the right to inspect the Premises at any reasonable time or times to determine the necessity of repair. Whether or not such inspection is made, the duty of the Lessor to make repairs as outlined above in any area in Lessee's possession and control shall not mature until a reasonable time after the Lessor has received from Lessee written notice of the necessity of repairs, except in the event emergency repairs may be required and in such event Lessee shall attempt to give Lessor appropriate notice considering the circumstances.

(d) Any repairs, replacements, alterations or other work performed on or around the leased Premises by Lessor shall be done in such a way as to interfere as little as reasonably possible with the use of the Premises by Lessee. Lessee shall have no right to an abatement of rental nor any claim against Lessor for any inconvenience or disturbance resulting from Lessor's performance of repairs and maintenance pursuant to this paragraph 6.

(e) Lessor will furnish heat, electricity, elevator service and air conditioning during the normal building hours of 8:00 AM to 5:00 PM, Monday through Friday except holidays. Janitorial service will be provided in accordance with the regular schedule of the building, which may change from time to time. Lessee shall comply with all government laws or regulations regarding the use or reduction of use of utilities on the Premises. Interruption of services or utilities shall not be deemed an eviction or disturbance of Lessee's use and possession of the Premises, render Lessor liable to Lessee for damages, or relieve Lessee from performance of Lessee's obligations under this Lease, but Lessor shall take all reasonable steps to correct any interruptions in service. Electrical service furnished will be 110 volts unless different service already exists in the Premises.

7. Liens: Lessee shall keep the Premises free from all liens, including mechanic's liens arising from any act or omission of Lessee or those claiming under Lessee.
8. Indemnity of Lessor - Insurance: Lessee shall indemnify and save harmless the Lessor from any and all liability, damage, expense, attorney's fees, causes of action, suits, claims or judgements arising from injury to person or damage to property arising out of or connected with the use, occupancy, management or control of the leased Premises excepting only the sole negligence of Lessor. Lessee shall, at its own cost and expense, defend any and all suits which may be brought against the Lessor either alone or in conjunction with others upon any such above-mentioned cause or claim, and shall satisfy, pay and discharge any and all judgements that may be recovered against the Lessor in any such action or actions in which the Lessor may be a party defendant. Lessee shall at its own expense during the term of this Lease Cray in full force and effect public liability insurance, with an insurance carrier satisfactory to Lessor, naming Lessor as an additional insured, with limits of not less than One Million Dollars (\$1,000,000.00), insuring against any and all liability of Lessee with respect to the leased Premises including the common areas or arising out of the maintenance, use or occupancy thereof. Such policy or policies shall provide that the insurance shall not be cancelable or reduced without at least ten (10) days prior written notice to Lessor and shall be deemed primary and noncontributing with other insurance available to Lessor. Lessee shall furnish Lessor with a certificate or other acceptable evidence that such insurance is in effect. Lessee also agrees to provide and maintain insurance to comply with Workmen's Compensation and Employer's Liability Laws.
9. Injury to Lessee's Property: Lessor shall not be liable for any injury to the goods, stock, merchandise or any other property of Lessee or to any person in or upon the leased Premises resulting from fire or collapse of the building in which the leased Premises are located or any portion thereof or any other cause, including but not limited to damage by water, gas or steam, or by reason of any electrical apparatus in or about the leased Premises.

10. Damage or Destruction:

(a) If the leased Premises shall be partially damaged by fire or other cause, and subparagraph (b) below does not apply, the damages to the Premises shall be repaired by Lessor and the rent until such repair shall be made shall be apportioned according to the part of the leased Premises which is useable by Lessee except when such damage occurs because of the fault of Lessee. The repairs shall be accomplished with all reasonable dispatch. Lessor shall bear the cost of such repairs unless the damage occurred from a risk which would not be covered by a standard fire insurance policy with an endorsement for extended coverage, including sprinkler leakage and the damage was the result of the fault of the Lessee, in which event the Lessee shall bear the expense of the repairs.

(b) If the building or the leased Premises are 50% or more destroyed during the term of this Lease for any cause. Lessor may elect to terminate the Lease as of the date of damage or destruction by notice given to Lessee in writing not more than forty-five (45) days following the date of damage. In such event all rights and obligations of the parties shall cease as of the date of termination. In the absence of an election to terminate, Lessor shall proceed to restore the leased Premises to substantially the same form as prior to the damage or destruction, so as to provide Lessee useable space equivalent in quantity and character to that before the damage or destruction. Work shall be commenced as soon as reasonably possible, and thereafter proceed without interruption, except for work stoppages on account of matters beyond the reasonable control of Lessor. Rent shall be abated from the date of damage, unless the damage occurred because of the fault of Lessee. Lessor shall bear the cost of such repairs unless the damage occurred from a risk which would not be covered by a standard fire insurance policy with an endorsement for extended coverage, including sprinkler leakage, and the damage was the result of the fault of the Lessee, in which event the Lessee shall bear the expense of the repairs.

11. Default: The following shall be the events of default:

(a) Failure of Lessee to pay any rental or other charge required hereunder within ten (10) days after it is due.

(b) Failure of Lessee to comply with any term or condition or fulfill any obligation of this Lease (other than the payment of rental or other charges), within ten (10) days after written notice by Lessor specifying the nature of the default with reasonable particularity. If the default is of such nature that it cannot be completely remedied within the ten (10) day period, this provision shall be complied with if Lessee begins correction of the default within the ten (10) day period, and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

(c) The abandonment of the Premises by Lessee or the failure of Lessee for fifteen (15) days or more to occupy the property for one or more of the designated purposes of this Lease unless such failure is excused under other provisions of this Lease.

(d) The bankruptcy or insolvency of the Lessee or the occurrence of other acts specified in paragraph 15 of this Lease which shall give Lessor the option to terminate.

12. Remedies on Default: In the event of a default, Lessor, may at Lessor's option, exercise any one or more of the rights and remedies available to a landlord in the state in which the leased Premises are located to redress such default, consecutively or concurrently, including the following:

(a) Lessor may elect to terminate Lessee's right to possession of the leased Premises or any portion thereof by written notice to Lessee. Following such notice, Lessor may re-enter, take possession of the leased Premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages. To the extent permitted by law, Lessor shall have the right to restrain the personal property belonging to Lessee which is on the leased Premises at the time of re-entry, or the right to such other security interest therein as the law may permit, to secure all sums due or which become due to Lessor under this Lease. Perfection of such security interest shall occur by taking possession of such personal property or otherwise as provided by law.

(b) Following the re-entry by Lessor, Lessor may relet the leased Premises for a term longer or shorter than the term of this Lease and upon any reasonable terms, including the granting of rent concessions to the new tenant. Lessor may alter, refurbish or otherwise change the character or use of the leased Premises in connection with such reletting. Lessor shall not be required to relet for any use or purpose which Lessor may reasonably consider objectionable. No such reletting by Lessor following a default by Lessee shall be construed as an acceptance of the surrender of the leased Premises. If rent received upon such reletting exceeds the rent received under this Lease, Lessee shall have no claim to the excess.

(c) Following re-entry Lessor shall have the right to recover from Lessee the following damages:

(i) All unpaid rent or other charges for the period prior to re-entry plus interest of 10% per annum.

(ii) An amount equal to the rent lost during any period during which the leased Premises is not relet, if Lessor uses reasonable efforts to relet the leased Premises. If Lessor lists the leased Premises with a real estate broker experienced in leasing commercial property in the metropolitan area in which the leased Premises are located, such listing shall constitute the taking of reasonable efforts to relet the leased Premises.

(iii) All costs incurred in reletting or attempting to relet the leased Premises, including but without limitation the cost of cleanup and repair in preparation for a new tenant, the cost of correcting any defaults or restoring any unauthorized alterations and the amount of any real estate commissions or advertising expenses.

(iv) The difference between the rent reserved under this Lease and the amount actually received by Lessor after reletting, as such amounts accrue.

(v) Reasonable attorney's fees incurred in connection with the default, whether or not any litigation is commenced.

(d) Lessor may sue periodically to recover damages as they accrue throughout the term of this Lease and no action for accrued damages shall be a bar to a later action for damages subsequently accruing. To avoid a multiplicity of actions, Lessor may obtain a decree of specific performance requiring Lessee to pay the damages stated in subparagraph (c) above as they accrue. Alternatively, Lessor may elect in any one action to recover accrued damages plus damages attributable to the remaining term of the Lease equal to the difference between the rent under this Lease and the reasonable rental value of the leased Premises for the remainder of the term, discounted to the time of the judgment at the rate of 6% per annum.

(e) In the event that Lessee remains in possession following default and Lessor does not elect to re-enter, Lessor may recover all back rent or other charges, and shall have the right to cure any nonmonetary default, whether or not litigation is commenced. Lessor may sue to recover such amounts as they accrue, and no one action for accrued damages shall bar a later action for damages subsequently accruing.

(f) The foregoing remedies shall not be exclusive but shall be in addition to all other remedies and rights provided under applicable law, and no election to pursue one remedy shall preclude resort to another consistent remedy.

13. Surrender at Expiration:

(a) Condition of Premises. Upon expiration of the Lease term or earlier termination, Lessee shall deliver all keys to the Lessor and surrender the leased Premises in the condition in which Lessee received possession hereunder, ordinary wear excepted, and broom clean. Improvements and alterations constructed by Lessee shall not be removed or restored to the original condition unless the terms of Lessor's consent provides otherwise or unless Lessor requests Lessee to remove such improvements or alterations, in which event Lessee shall remove the same and restore the leased

Premises. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which Lessee is responsible shall be completed to the latest practical date prior to such surrender. Lessee's obligations under this paragraph shall be subject to the provisions of paragraph 11 relating to damage or destruction.

(b) Fixtures

(i) All fixtures placed upon the leased Premises during the term other than Lessee's trade fixtures, shall, at Lessor's option, become the property of the Lessor. Movable furniture, decoration, floor covering other than hard surface bonded or adhesively fixed flooring, curtains, blinds, furnishings and trade fixtures shall remain the property of Lessee if placed on the leased Premises by Lessee.

(ii) If Lessor so elects, Lessee shall remove any or all fixtures which would otherwise remain the property of Lessor, and shall repair any physical damage resulting from the removal. If Lessee fails to remove such fixtures, Lessor may do so and charge the cost to Lessee with interest at 12% per annum from the date of expenditure. Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of Lessee. If Lessee fails to do so, this shall be an abandonment of the property, and Lessor may retain the property and all rights of Lessee with respect to it shall cease or, by notice in writing given to Lessee within 20 days after removal was required. Lessor may elect to hold Lessee to its obligation of removal. If Lessor elects to require Lessee to remove, Lessor may effect a removal and place the property in public or private storage for Lessee's account. Lessee shall be liable to Lessor for the cost of removal, transportation to storage, and storage, with interest at 12% per annum on all such expenses from the date of expenditure by Lessor.

(iii) The time for removal of any property or fixtures which Lessee is required to remove from the leased Premises upon termination shall be as follows:

(1) On or before the date the Lease terminates because of expiration of the term or because of a default under paragraphs 11 and 12.

(2) Within 30 days after notice from Lessor requiring such removal where the property to be removed is a fixture which Lessee is not required to remove except where such date would fall after the date on which Lessee would be required to remove other property.

(c) Holdover

(i) If Lessee does not vacate the leased Premises at the time required, Lessor shall have the option to treat Lessee as a tenant from month-to-month, subject to all of the provisions of this Lease except the provision for the term of the Lease. Failure of Lessee to remove fixtures, furniture, furnishings or trade fixtures which Lessee is required to remove under this Lease shall constitute a failure to vacate to which this subparagraph (c) shall apply if the property not removed will substantially interfere with occupancy of the Premises by another tenant or with occupancy by Lessor for any purpose including preparation for a new tenant.

(ii) If a month-to-month tenancy results from a holdover by Lessee under this subparagraph (c), the tenancy shall be terminable at the end of any monthly rental period on written notice from Lessor given not less than 10 days prior to the termination date which shall be specified in the notice. Lessee waives any notice which would otherwise be provided by law with respect to a month-to-month tenancy.

14. Assignment and Subletting: Lessee shall not assign this Lease or sublet all or any part of the Premises without the written consent of Lessor, which consent will not be unreasonably withheld. If Lessee is a corporation or a partnership, the transfer, assignment or change in the ownership of any stock or partnership interest in the aggregate in excess of 33% shall be deemed an assignment within the meaning of this paragraph. Lessee shall remain primarily liable, after any assignment or sublease for the payment of the rental and the performance of all of Lessee's obligations under this Lease, notwithstanding such assignment or subletting by Lessee.

15. Inspection: Lessor, Lessor's agents and representatives, shall have the right to enter upon the leased Premises at reasonable times for the purpose of inspecting the same, for the purposes of making repairs or improvements to the leased Premises or the building in which the leased Premises are located or for any other lawful purpose.
16. Nonwaiver: The acceptance by Lessor of any rental or other benefits under this Lease shall not constitute a waiver of any default. Any waiver by Lessor of the strict performance of any of the provisions of this Lease shall not be deemed to be a waiver of subsequent breaches of the same character or of a different character, occurring either before or subsequent to such waiver, and shall not prejudice Lessor's right to require strict performance of the same provision in the future or of any other provision of this Lease.
17. Attorney's Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the trial court may adjudge reasonable as attorney fees, and in the event any appeal is taken from any judgment or decree in such suit or action, the losing party shall pay the prevailing party in the appeal its reasonable attorney's fees and costs arising from such litigation and appeal.
18. Notices: Any notice required or permitted under this Lease shall be in writing and shall be given when actually delivered or when deposited in the United States mail as certified or registered mail addressed as follows:

To Lessor: Multnomah County Property Management
 2505 SE 11th Avenue
 Portland, Oregon 97202

To Lessee: Care Oregon, Inc.
 421 S.W. 5th, #200
 Portland, OR 97204

or to such other addresses as may be specified from time to time from either of the parties in the manner above provided for the giving of notice.

19. Succession: Subject to the above stated limitations on the assignment or transfer of Lessee's interest, this Lease shall be binding upon and inure to the benefit of the parties, their respective heirs, personal representatives, successors and assigns.
20. Cumulative Rights: No remedy herein conferred upon or reserved to Lessor or Lessee shall be exclusive of any other remedy herein provided or provided by law, but each remedy shall be cumulative.
21. Interpretation: In interpreting or construing this Lease, it is understood that Lessee may be more than one person, that if the context so requires, the singular pronoun shall be taken to mean and include the plural, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals. Paragraph headings are for convenience and shall not affect any of the provisions of this Lease.
22. Exhibits and Additional Provision: Exhibits "A and B" which are referred to in this Lease are attached hereto and by this reference incorporated herein.

In Witness Whereof, Lessor and Lessee have executed this Lease in duplicate the day and year first herein written.

MULTNOMAH COUNTY, OREGON

CARE OREGON, INC., an
Oregon corporation

By _____
Beverly Stein, County Chair

By _____

REVIEWED:

COUNTY COUNSEL
FOR MULTNOMAH COUNTY

By _____

EXHIBIT "A"

LEGAL DESCRIPTION Lots 3 and 4, Block 175, City of Portland
County of Multnomah and State of Oregon.

EXHIBIT "B"

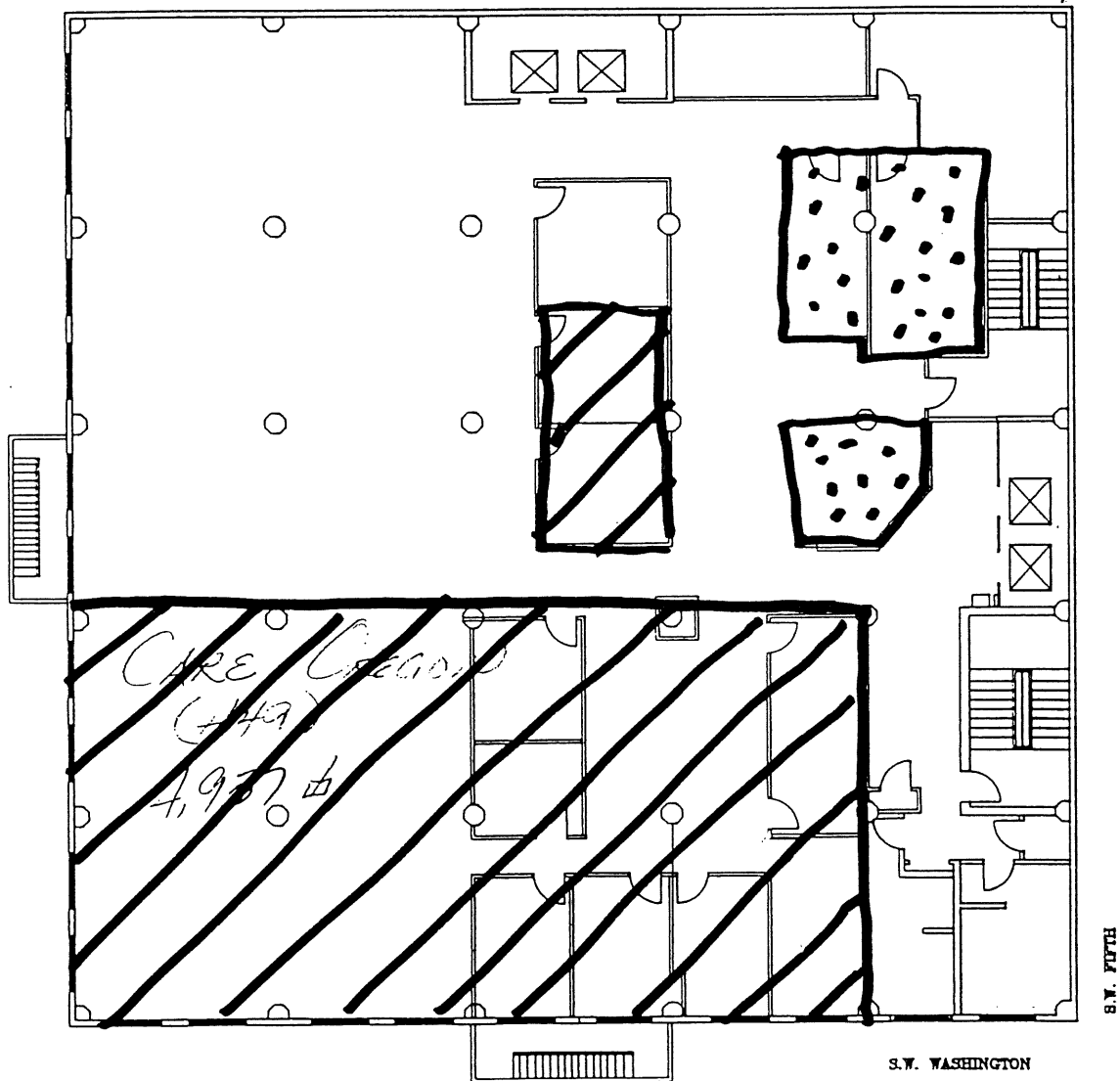
PREMISES

Suite 200, containing approximately 4,957 square feet, located in the South side of the fourth floor of the 421 S.W. Fifth Building, Portland, Oregon (also known as the Mead Building) and outlined on the second page of this Exhibit "B". The square footage is an approximate figure used for informational purposes only. If the actual square footage is either more or less than the designated figure, it is understood that there shall be no adjustment in the monthly rent.

 Care Oregon

Exhibit A

 Common Area



CARE OREGON
PRIMARY CARE
COMMUNICATION
CARE

4957 \pm
2479 \pm
526 \pm
1653 \pm

Rev: 7/24/95

MEAD BUILDING
SECOND FLOOR



BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

ADOPTING MULTNOMAH)	RESOLUTION
COUNTY'S INVESTMENT)	96-187
POLICY)	

WHEREAS, ORS 294.135 requires municipalities adopt a written Investment Policy; and

WHEREAS, Multnomah County's Investment Policy has been reviewed by the Oregon Short Term Fund Board and the Investment Advisory Board; now therefore

IT IS HEREBY RESOLVED that Multnomah County, Oregon adopts the Investment Policy set forth as attached; and

IT IS FURTHER RESOLVED that the Finance Director or the Treasury Manager is authorized to administer the Investment Policy; and

IT IS FURTHER RESOLVED that this Resolution replaces Resolution 95-236 adopted November 9, 1995.

DATED this 17th day of October, 1996.



BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON


Beverly Stein, Chair

REVIEWED:

LAURENCE KRESSEL, COUNTY COUNSEL
MULTNOMAH COUNTY, OREGON

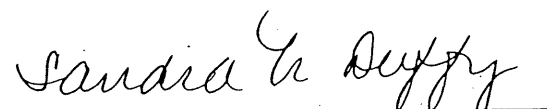

Sandra N. Duffy, Chief Assistant

EXHIBIT D TO
ATTACHMENT E

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY
For Fiscal Year 1996-1997

1. Scope:

(a) This investment policy applies to investing the financial assets of all funds included in Multnomah County's Investment Pool as defined in Section 12 of this policy. The County's approximate average daily balance of funds invested is \$140,000,000, with a high of about \$425,000,000 in November and a low of about \$70,000,000 in October.

(b) Funds will be invested in compliance with ORS 294, other applicable statutes, this policy, and other written procedures.

2. Investment Objectives:

(a) The primary objective of Multnomah County's investment activities is the preservation of capital and the protection of investment principal.

(b) The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements that are reasonably anticipated. This preference for liquidity will be considered basic to investment decisions.

(c) The County will diversify its investments to avoid unreasonable risks regarding specific security types or individual financial institutions.

(d) The County will conform with Federal and State law and other legal requirements.

(e) The County will attain a market rate of return throughout budgeting cycles.

3. Delegation of Authority:

The Treasury Manager is designated as the Investment Officer of the County and is responsible for the daily cash management, and investment decisions and activities.

4. Prudence:

(a) The standard of prudence used by the Treasury Manager and Treasury staff in the context of managing the overall portfolio shall be the prudent investor rule, which states: "Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

(b) The Treasury Manager and Treasury staff, acting in accordance with

written procedures and exercising due diligence, shall not be held personally responsible for a specific security's credit risk or market price changes, provided that these deviations are reported to the Finance Director immediately and that appropriate action is taken to control any adverse developments.

(c) The Treasury Manager shall strive for best execution of trades and shall solicit competitive bids or offers for all instruments traded, whenever practical.

5. Investment Diversification:

(a) The County will diversify its investments across security type and institution. No more than 20 percent (20%) at market value of the County's total investment portfolio will be invested in a single security type as defined in Paragraph 8, or in instruments of a single issuer, or as limited by ORS 294.035, whichever is less. Exceptions to this twenty percent limit are:

(1) The County may invest one hundred percent (100%) of its portfolio in U.S. Treasury securities.

(2) The County may invest seventy-five percent (75%) of its portfolio in securities of U.S. Government Agencies and Instrumentalities.

(3) The funds invested in the Local Government Investment Pool may exceed twenty percent (20%) to the extent allowed under ORS 294.810.

(4) The County may invest in repurchase agreements to the extent that the collateral received does not cause the County to exceed any limits set elsewhere in this policy, including, but not only, Section 5(a)(2).

(b) If due to unanticipated cash needs or investment maturities, the investment in any security type or any financial issuer exceeds the guidelines in this policy, the Treasury Manager is responsible for bringing the investment portfolio back into compliance as soon as practicable. The Treasury Manager will also advise the Finance Director and Advisory Board members of the occurrence.

6. Investment Maturity:

(a) The County will maintain the following investment portfolio types and maturity dates:

(1) Short-term Investment Portfolio (maturities up to 3 years):

(a) Using the projected cash flow schedule the County will attempt to match its investments with anticipated cash flow requirements. The County will not invest in securities with maturity dates longer than 3 years from date of purchase.

(b) The diversification of security maturity dates for the short-term investment portfolio will be measured at market value against average monthly portfolio balances as follows:

1. Less than 30 days 10% Minimum

2. Less than 90 days	25%	"
3. Less than 270 days	50%	"
4. Less than 1 year	70%	"
5. Less than 3 years	100%	"

(c) If the goals for diversification of security maturity dates are exceeded by 5% or more for 5 successive days, the Treasury Manager is responsible for promptly notifying the Finance Director and Advisory Board members.

- (2) Long-term Investments (Maturities over 3 years and up to a maximum of 5 years):

(a) Bond Sinking Fund or Certificate of Participation reserve monies may be invested in securities exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds, and the legal documents authorizing the financing allow for long-term investments.

(b) Self-Insurance Fund monies in the amount not to exceed \$8,000,000 (face value) may be invested in securities that exceed three years up to the maximum of five years. Securities purchased under this section are to be U.S. Treasury securities or securities of U.S. Government Agencies and Instrumentalities.

7. Investment of Bond Proceeds:

The Treasury Manager will work with the Finance Director, the financial advisor, and the bond counsel to determine how best to invest bond proceeds. Bond proceeds will be segregated within the County's investment portfolio, and invested in a manner consistent with Internal Revenue Service limitations on tax-exempt issuers, as well as the trust indenture, if any, and the expectations of drawdown of proceeds.

8. Investment Limitations:

(a) The following investment securities are allowed to be purchased. Additional investments are allowed by ORS 294.035, but are not allowed by the County investment policy to be purchased.

(b) The following are allowed to be purchased under this policy.

- (1) U. S. Treasury Issues:

- (a) U.S. Treasury Bills
- (b) U.S. Treasury Notes
- (c) U.S. Treasury Bonds
- (d) U.S. Treasury Strips/Cubes

- (2) U.S. Government Agency and Instrumentality Securities:

U.S. Government Agency securities for local government investment under ORS 294.035 and 294.040, and pursuant to ORS 294.046 (current revision).

(3) Municipal Bonds:

Legally issued interest-bearing bonds pursuant to ORS 294.035 and 294.040 (current revision).

(4) Time Certificates of Deposits (CD or TCD):

In purchasing time certificates of deposit, the County will not invest an amount which is more than 1 percent of the total deposits of any single institution. As required by ORS Chapter 295, the Treasury Manager will be responsible for insuring that a Certificate of Participation, Collateral Pool has been issued by the institution to cover County deposits.

(5) Repurchase Agreements (Repo's):

All repurchase agreements will be collateralized at margin ratios prescribed by written policy of the Oregon Short Term Fund Board. A signed master repurchase agreement will first be obtained from financial institutions. The collateral securing the repo will be delivered to the County's appropriate portfolio custodian. The County will not enter into term repo's with maturities exceeding 90 days.

(6) Reverse Repurchase Agreements (Reverse Repo's):

Before entering into a reverse repurchase agreement, the County will obtain a signed master repurchase agreement from the brokerage firm. The firm's current net worth must be over \$50 million. Reverse repo's cannot exceed two percent (2%) of the issuing firm's liabilities. Proceeds from reverse repo's will be invested in securities with maturities that match the maturities of the reverse repo. The County will not enter into term reverse repo's with maturities exceeding 60 days, and all reverse repo's must be approved by the Finance Director.

(7) Banker's Acceptance (BA's):

All bankers' acceptances will be purchased from a qualified financial institution as defined by ORS 294.035(8).

(8) Local Government Investment Pool (LGIP):

With the exception of pass-through funds, the maximum amount to be placed with the LGIP shall be pursuant to ORS 294.810.

(9) Commercial Paper (CP) and Other Corporate Debt:

All commercial paper and other corporate debt will be purchased in accordance with ORS 294.035(9). Investment in corporate debt other than commercial paper requires approval by the Finance Director.

(10) Interest-Bearing Accounts:

All such deposits shall be FDIC-insured to \$100,000.

(11) Cash Deposits in Demand Accounts:

All cash deposits will be collateralized in accordance with ORS 295.

9. Delivery of Securities:

Investment securities eligible for delivery purchased pursuant to this investment policy will be delivered by either book entry or physical delivery to a third-party custodian.

10. Authorized Financial Institutions and Securities Dealers:

(a) Addendum "A" is the list of banks and securities dealers authorized to provide investment services. The County will limit all investment and banking activities to the institutions in Addendum "A".

(b) The Treasury Manager is authorized to sign a Trading Authorization agreement or master repurchase agreement with any institution included on this list.

(c) Additions to the list of authorized financial institutions may be made at the discretion of the Finance Director with written notification to the County Chair, the Board of County Commissioners and the Investment Advisory Board.

(d) Before the County purchases securities over \$100,000 from any bank or brokerage firm, the County must have on file the firm's most recent audited financial report. The Treasury Manager is responsible for keeping current files indicating the necessary licenses and professional credentials of broker/dealers with whom the County transacts business. The files will be reviewed annually by the Treasury Manager.

11. Cash Flow Planning:

The Treasury Manager is responsible for preparing an annual projected cash flow schedule of all funds that are included in the County's Investment Pool. The projected cash flow schedule will be based on the previous two years actual cash flows. The Finance Director will review the schedule periodically. The Treasury Manager is responsible for comparing the cash flow projections to actual cash flows each month and will revise the schedule, if necessary, based on the actual cash flows.

12. Accounting Method:

(a) At the time of purchase, investments will be booked at cost. Any gains or losses from investments sold will be credited or charged to investment income at the time of sale. Premiums or discounts on securities will be amortized or accreted over the life of the securities, and be credited or charged to interest income.

(b) The County shall comply with all required legal provisions and generally accepted accounting principles (GAAP). These principles are contained in the pronouncements of authoritative bodies, including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA), the Financial Accounting Standards Board (FASB), and the Government Accounting Standards Board (GASB).

13. County Investment Pool and Interest Earnings Allocation:

(a) The County will pool most of its funds in the County's Investment Pool for investment purposes. The funds not pooled will be restricted to: contract retainage and lien deposits, deferred compensation deposits and investments, Library Retirement Plan investments, funds held for Certificates of Participation and Revenue Bond reserves, or construction payments, petty cash funds, and imprest funds. These funds will earn interest income, if any, from the financial institution or organization holding the funds in a trust or fiduciary capacity.

(b) Method and Process of Investment Interest Allocation.

(1) According to State law and County Policy, interest earnings will be allocated to the following funds:

- (a) Road Fund and Willamette River Bridge Fund
- (b) Bicycle Path Fund
- (c) County School Fund
- (d) Tax Title Land Sales Fund
- (e) Emergency Communication Fund
- (f) Property Tax Trust Funds and Accounts
- (g) Funds accounting for serial levy and bond funds
- (h) Inmate Welfare Fund
- (i) Justice Services Special Operations Fund

(2) All Proprietary Type Funds will receive interest earnings allocation.

(3) Funds held in Trust Accounts or Trust Funds, that are to be used for a specific purpose will receive interest earnings allocation. These include:

- (a) Regional Organized Crime and Narcotics (ROCN)
- (b) Public Guardian
- (c) Drug Forfeiture

(4) Interest will be allocated to Funds created by the Board of County Commissioners that specifically state the funds will earn interest. These include:

- (a) Capital Acquisition Fund
- (b) Capital Improvement Fund

(5) Interest will not be allocated to the Federal/State Program Fund because the majority of the expenditures are on a reimbursement basis from the Grantor Agency, and the General Fund provides the cash flow.

(6) The General Fund will receive the balance of interest earnings. All other Funds that are supported in whole or part by the General Fund will not be allocated interest earnings.

(7) In the event a new fund or account is created, the Finance Director is authorized to make the determination if the fund or account should receive interest. This determination is to be based on the criteria used for the funds in existence at the time this policy is adopted.

(c) The amount of interest allocation will be based on:

(1) The average daily cash balance of the fund. The property tax trust funds average daily cash balance will be reduced by the average daily uncollected funds (float).

(2) The average monthly yield of the County's investment portfolio.

(3) The yield is calculated on a 365-day basis.

(4) An administrative fee of 1% of the earnings will be deducted from the interest earnings allocation prior to distribution.

(5) If the average daily cash balance in a fund is negative and the fund has interest income received, the fund will be debited interest income for the period or periods that the cash balance is negative.

(6) Each month the General Ledger Section is responsible for computing and recording the amount of interest income that is to be allocated to various Funds.

14. The Investment Advisory Board:

(a) The County Chair will appoint the Investment Advisory Board members. The Investment Advisory Board will be composed of five citizen members. These individuals shall be nominated on the basis of their understanding and knowledge of financial markets.

(b) The Investment Advisory Board will meet quarterly to review the County's investment performance and existing investment plan. All such meetings of the Investment Advisory Board will be open and publicized as required by the "Open Meetings Law."

(c) After each meeting of the Investment Advisory Board, the Treasury Manager will prepare and distribute a written report summarizing the meeting to the Chair of the Board, the Board of County Commissioners, the Investment Advisory Board and the Finance Director.

15. Reporting Requirements:

The Treasury Manager will provide the Chair of the Board, the Investment Advisory Board, the Executive Assistant to the Chair, and the Finance Director copies of the monthly Investment Portfolio. At each quarterly Advisory Board meeting the Treasury Manager will provide the Board and the Finance Director a monthly detailed listing of all sales and purchases, with an explanation for the decision to sell or purchase. The Investment Portfolio will be marked-to-market monthly for financial reporting purposes.

16. Indemnity Clause:

The County shall indemnify County Officials and Advisory Board members from personal liability for losses that might occur pursuant to administering this investment policy.

17. Internal Controls:

The Treasury Manager and Treasury staff shall follow the internal controls outlined in the Financial and Budget Policy, Finance Division policies and

procedures, and any policies adopted after this policy is adopted.

18. Performance Evaluation and Goals:

The performance of the County's portfolio shall be measured against the performance of the Local Government Investment Pool yield and of 90-day Treasury Bill yields. It is the goal of the County to maintain a yield that is not more than 1/2 percent (.5%) lower than that of the Local Government Investment Pool, and is not less than 1/4 percent (.25%) higher than the 90-day Treasury Bill yield. The County will attempt to compare its yield to Washington County and Clackamas County portfolios.

19. Investment Policy Adoption:

(a) The County's investment policy will be reviewed by the Finance Director and Investment Advisory Board for appropriate modifications on an annual basis and submitted to the Oregon Short Term Fund Board. Any comments made by the Oregon Short Term Fund Board will be formally responded to, and any suggestions not implemented will be explained to the Board of County Commissioners.

(b) This policy and any amendments to this policy are to be approved annually by the Board of County Commissioners.

ADOPTED THIS 17th DAY OF October, 1996 by BOARD OF
COMMISSIONERS, MULTNOMAH COUNTY, OREGON.

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Financial Institutions
Addendum "A"

Brokerage Firms:

1. BA Securities, Inc
2. Bear Stearns Inc.
3. Chase Securities, Inc.
4. Dain Bosworth Incorporated
5. Dean Witter Reynolds Inc.
6. Donaldson, Lufkin and Jenrette
7. Merrill Lynch Capital Markets, Inc.
8. Paine Webber Incorporated
9. Prudential Securities, Inc.
10. Sanwa Securities (USA) Co.
11. Seattle Northwest Securities Corp.
12. Smith Barney*
13. US Bancorp Brokerage

**Trading approval for Smith Barney is suspended while an affiliated person serves on the Investment Advisory Board*

Banks:

1. Bank of America NT&SA
2. Bank of Tokyo
3. Key Bank
4. Union Bank of California
5. US National Bank of Oregon
6. Wells Fargo Bank NA
7. Albina Community Bank (\$100,000 maximum)
8. American State Bank (\$100,000 maximum)

Savings and Loans:

1. None at this time.

Other:

1. Oregon Local Government Investment Pool (LGIP)

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Investment Advisory Board
Addendum "B"

Marc Gonzales, Finance Director
Clackamas County
902 Abernethy Road
Oregon City, OR 97045
(503) 655-8666, 650-3319
(503) 650-3478 (Fax)

Term Expires: 6/30/99
First Term

Judy Homer
Cash & Debt Management, City of Gresham
1333 NW Eastman Parkway
Gresham, OR 97030
(503) 669-2371
(503) 661-6073 (Fax)

Term Expires: 6/30/99
Second Term

Thomas Landye, Senior Partner
Copeland, Landye, Bennett and Wolf
300 First Interstate Tower
Portland, OR 97201
(503) 224-4100
(503) 224-4133 (Fax)

Term Expires: 6/30/97
First Term

George Scherzer, First Vice President
Smith Barney
200 SW Market, Suite 1200
Portland, OR 97201
(503) 221-7640, 221-7627
(503) 221-7647 (Fax)

Term Expires: 6/30/99
Fourth Term

Howard Shapiro
American Bank Building
621 SW Morrison #600
Portland, OR 97205
(503) 222-6613

Term Expires: 6/30/97
First Term

Staff: David Boyer, Finance Director
Harry Morton, Treasury Manager

(503) 248-3903
(503) 248-3290

MULTNOMAH COUNTY, OREGON
INVESTMENT POLICY

Staff Authorizations
Addendum "C"

Single Signature

David A. Boyer, Finance Director (Full Authorization)

Harry S. Morton, Treasury Manager (Full Authorization)

Dual Signature (Requires Second Signature)

Cliff Pengra, Treasury Specialist 2 (Dual Authorization)

Calvin J. Smith, Treasury Specialist 2 (Dual Authorization)