

# LETTER OF INTENT

between

THE HOSPITAL FACILITIES AUTHORITY OF  
MULTNOMAH COUNTY, OREGON

and

TERWILLIGER PLAZA, INC.

THIS LETTER OF INTENT is between THE HOSPITAL FACILITIES AUTHORITY OF

MULTNOMAH COUNTY, OREGON, a public authority of the State of Oregon (the "Authority"),  
and TERWILLIGER PLAZA, INC., an Oregon nonprofit corporation (the "Borrower").

1. Preliminary Statement. Among the matters of mutual inducement, which have

resulted in the execution of this Letter of Intent are the following:

a. The Authority is a public authority, authorized and empowered by ORS 441.525 to

441.595 (the "Act") to issue revenue bonds for the purposes specified therein, including providing  
funds to nonprofit corporations sufficient to improve, extend, maintain, equip and furnish hospital  
facilities and adult congregate care facilities under the Act, upon such terms and conditions as the  
Authority may deem advisable.

b. The Authority proposes to issue its senior living revenue bonds, in one or more series,

and in any combination of tax-exempt and taxable variable rate demand bonds, tax-exempt fixed rate  
bonds or tax-exempt Extendable Rate Adjustable Securities<sup>SM</sup> (collectively, the "Bonds"). The proceeds  
of the Bonds will be used to make a loan to the Borrower to finance and/or refinance the costs of: (1)

constructing and equipping a 10 story building with 48 additional independent living units, additional  
parking and an aquatic and expanded wellness center that will be connected to the existing building via  
a skybridge at Terwilliger Plaza, Inc.; (2) capital improvements; (3) capitalized interest on the Bonds; (4)  
a debt service reserve fund for the Bonds; and (5) certain costs of issuance including, if applicable, letter  
of credit fees (collectively, the "Project").

The total estimated costs of the Project to be financed with the proceeds of the Bonds will be  
in an aggregate principal amount not to exceed \$40,000,000.

the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but obligations of the elected or appointed officials, employees or agents of the Authority, the County or Authority, Multnomah County, Oregon (the "County") or the State of Oregon, or the personal Authority, Multnomah County, Oregon (the "County") or the State of Oregon, or the personal of the

Neither the Bonds nor the interest thereon shall be an obligation of the to the Borrower and to assist in the review of the official statement for the Bonds. the legality of the Bonds, the tax-exempt status of the Bonds and to conduct due diligence with respect counsel and special counsel (collectively, "Bond Counsel") to supervise the proceedings and to approve The Authority has appointed Orrick, Herrington & Sutcliffe LLP as bond premium, if any, of the Bonds as and when the same become due and payable.

The amounts payable to the Authority under the loan agreement or other financing agreement will be sufficient to pay the principal of and the interest on, and redemption law and as mutually satisfactory to the Borrower and the Authority.

The Authority will adopt such proceedings and authorize the execution of such Bonds, and loan the proceeds of the Bonds to the Borrower to finance the Project, all as authorized by documents as may be necessary and advisable for the authorization, issuance, sale and delivery of the The Authority will adopt such proceedings and authorize the execution of such \$40,000,000.

Borrower and the Authority, which Bonds will be in an aggregate principal amount not to exceed Borrower to the Authority pursuant to a loan agreement or other financing agreement between the Bonds, authorize and cause the issuance of its Bonds to be payable solely from revenues of the herein and all other conditions imposed on the Borrower by the Authority prior to issuance of the The Authority will, upon satisfaction by the Borrower of all conditions stated

approval by bond counsel, the Authority agrees and represents as follows: herein and (b) the preparation and approval of the various financing documents and review and 2. Undertakings on the Part of the Authority. Subject to (a) the conditions stated

appropriate its elected and appointed officials, employees and agents. All references in this Letter of Intent to the Authority shall be deemed to include where and the loaning of the proceeds thereof to the Borrower constitutes a valid public purpose.

The Authority finds that the issuance of the Bonds to finance the costs of the Project, Project in a total amount not to exceed \$40,000,000.

The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue the Bonds to finance all or a portion of the costs of the

shall be payable solely from revenues or assets provided or arranged by the Borrower. The Bonds shall not be a general obligation of the Authority or its elected or appointed officials, employees or agents nor a pledge of the faith and credit of the Authority or its elected or appointed officials, employees or agents nor a debt or pledge of the faith and credit of the County or the State of Oregon. The Authority has no taxing authority.

f. No presently existing assets of the Authority or the County shall be given to secure the Bonds and the Bonds shall be repayable out of, and only out of, revenues or assets provided or arranged by the Borrower.

3. Undertakings on the Part of the Borrower. Subject to the conditions above stated, the Borrower agrees as follows:

a. If the Bond financing herein contemplated is available, it is the intent of the Borrower to cause the Project to be constructed, furnished and equipped as more fully described in Section 1. above.

b. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Bonds, and in the sale of the Bonds in an aggregate principal amount not to exceed \$40,000,000 to be used to finance the Project.

c. At the time of closing of the Bonds, the Borrower will pay to the Authority, from Bond proceeds or other available Borrower funds, an issuer's fee equal to one dollar (\$1.00) per one thousand dollars (\$1,000) of the principal amount of the Bonds, but not less than \$10,000 and the Borrower will pay from Bond proceeds or other available Borrower funds, to Bond Counsel, fees based on the time incurred with respect to the Bonds and the Project based on its standard hourly rates plus its out-of-pocket expenses.

d. At the time of closing of the Bond sale, the Borrower will deliver an executed loan agreement or other financing agreement with the Authority, under which terms the Borrower will agree to pay the Authority loan payments sufficient in the aggregate to pay the principal of and interest on, and redemption premium, if any, of the Bonds as and when the same shall become due and payable. The Authority, at its option, may require the Bonds to be secured by a letter of credit, reserve fund or bond insurance acceptable in form and substance to the Authority.

e. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the loan agreement or other financing agreement shall contain provisions in which the Borrower shall indemnify and hold the Authority and the County and their

Authority shall not participate in or be responsible for the marketing of the Bonds.

conditions for the contracts and agreements contemplated herein; provided, however, that the agreeing to mutually acceptable terms for the sale of the Bonds and mutually acceptable terms and provided herein, all obligations arising under this Letter of Intent are conditioned upon the parties

4. General Provisions.

a. Except as provided in Section 4(b) and Section 5(a) hereof or as otherwise

as may be required to implement these understandings.

j. The Borrower will take such further action and adopt such further proceedings

inquiry, regulatory action or proceeding with respect to the Bonds or the Project.

Borrower's expense, any counsel (internal or otherwise) or experts required in responding to any audit, Audits with the Authority as required by the Loan Agreement. The Authority may employ, at the respect to the Bonds or the Project. The Borrower agrees to enter into an Agreement Relating to IRS and Exchange Commission inquiry or any other federal, state or regulatory action or proceeding with incurred by the Authority or the County in responding to any Internal Revenue Service audit, Securities by or on behalf of any person, firm, corporation or other legal entity arising from any fees or costs County, their appointed or elected officials, employees or agents harmless against and from all claims Borrower under Section 5(a) hereof, the Borrower shall indemnify and save the Authority and the

i. In addition to the indemnification and hold harmless obligations of the material event, as defined in the Continuing Disclosure Certificate, with respect to the Bonds.

Disclosure Certificate on an annual basis and will undertake to provide in a timely manner notices of a Authority and Bond Counsel and agrees to provide information as specified in the Continuing the Rule, agrees to execute and deliver a Continuing Disclosure Certificate, in a form satisfactory to the Securities and Exchange Commission, the Borrower, as an "Obligated Person" within the meaning of

h. In accordance with the provisions of Rule 15c2-12 promulgated by the or permitted by law and as are mutually acceptable to the parties.

g. The loan agreement shall also contain such other provisions as may be required

counsel to the underwriters with respect to the Bonds.

f. The Borrower will cause Borrower's counsel to provide the Authority with a legal opinion substantially the same in form and substance as the legal opinion provided by Borrower's with the Project or the sale, issuance, marketing or administration of the Bonds.

elected or appointed officials, employees and agents harmless from all liabilities incurred in connection

or administration of the Bonds, or (vi) any Internal Revenue Service audit or proceeding or any (collectively, the "Offering Statement") or any other liability arising from the sale, issuance, marketing omission or misstatements of any material fact in any official statement or other offering document contractors, servants, employees or licensees of any assignee or lessee of the Borrower, (v) any licensees, (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, any act or negligence of the Borrower or of any of its agents, contractors, servants, employees or on the part of the Borrower in the performance of any of its obligations under this Letter of Intent, (iii) Project, including without limitation, (i) any condition related to the Project, (ii) any breach or default without limitation, the conduct or management of, or from any work or thing done related to the to the Project or the issuance of the Bonds for so long as the Bonds remain outstanding, including, of this Letter of Intent and any and all other actions to be taken by the Authority or the County relating claims by or on behalf of any person, firm, corporation or other legal entity arising from the execution the County, their appointed or elected officials, employees or agents harmless against and from all

2. The Borrower shall and hereby agrees to indemnify and save the Authority and

#### 5. Miscellaneous Provisions.

Certificate as required by Section 3h. hereof.

- d. The Borrower agrees to execute and deliver the Continuing Disclosure
- is defined in Section 145 of the Code.
- regulations promulgated thereunder (the "Code") or cease to be "qualified 501(c)(3) bonds" as that term arbitrage bonds as that term is defined in the Internal Revenue Code of 1986, as amended, and the the Borrower shall make no use of the Bond proceeds so as to cause the Bonds to be classified as and opinions of Bond Counsel to ensure the legality and tax-exempt status of the Bonds. In addition, The Borrower shall obtain, at its expense, all necessary governmental approvals
- c.
- in connection with the Project or the Bonds.
- Borrower will also pay the cost and fees of its counsel, underwriter's fees and any other costs incurred out-of-pocket costs of Bond Counsel, the Authority's financial advisor, if any, and County staff. The and the Bond Trustee, registrar, paying agent and escrow agent. In addition, the Borrower shall pay the limitation, the reasonable fees and expenses of Bond Counsel, the Authority's financial advisor, if any, connection with the issuance, sale and on-going administration of the Bonds, including without or cause to be paid, whether the Bonds are actually issued or not, any fees and expenses incurred in
- b. Notwithstanding anything to the contrary stated herein, the Borrower will pay,

Securities and Exchange Commission investigation proceeding or any inquiry or any other federal, state or local regulatory action, investigation or proceeding. The Borrower shall indemnify and save the Authority and the County and their elected or appointed officials, employees or agents harmless from any such claim arising as aforesaid, or in connection with any action or proceeding or costs or fees incurred in any action or proceedings brought thereon whether at trial, on appeal, in bankruptcy proceedings or otherwise, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend them or either of them in any such action or proceeding at the Borrower's expense.

Notwithstanding the fact that is the intention of the parties hereto that the Authority and the County and their elected or appointed officials, employees or agents shall not incur any pecuniary liability by reason of the terms of this Letter of Intent or the undertakings required of the Authority or the County or their elected or appointed officials, employees or agents hereunder, by reason of the issuance of the Bonds or by reason of the execution of any financing documents relating thereto, or by reason of the performance of any act requested by the Authority or the County, its elected or appointed officials, employees or agents or by the Borrower, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulation pertaining to the foregoing; nevertheless, if the Authority or the County or its elected or appointed officials, employees or agents should incur any such pecuniary liability, then in such event the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees or agents harmless against all claims, demands or causes of action whatsoever, by or on behalf of any person, firm or corporation or other legal entity arising out of the same or out of any Offering Statement or lack of Offering Statement in connection with the sale or resale of the Bonds and all costs, fees and expenses, including without limitation, legal fees and expenses whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Authority or its elected or appointed officials, employees or agents, the Borrower shall defend the Authority and its elected or appointed officials, employees or agents in any such action or proceeding.

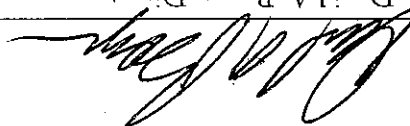
Notwithstanding anything to the contrary contained herein, the Borrower shall have no liability to indemnify the Authority or the County, or its elected or appointed officials, employees or agents, against claims or damages resulting from the Authority's or the County or their elected or appointed officials, employees or agents own gross negligence or willful misconduct.

In the event any claim is made against the Authority or the County, their elected or appointed officials, employees or agents (collectively, the "Indemnified Parties") for which indemnification may be sought from the Borrower under the foregoing provisions, the Indemnified Parties shall promptly give written notice thereof to the Borrower; provided that any failure to give or delay in giving such written notice shall not relieve the Borrower's indemnification obligations as set forth above except to the extent such failure or delay prejudices the Borrower's ability to defend or settle such claim. Upon receipt of such notice, the Borrower shall assume the defense thereof in all respects and may settle such claim in such manner as it deems appropriate so long as there is no liability, cost or expense to the Indemnified Party.

b. If Bond proceeds are not sufficient to complete the Project, the Borrower agrees to pay, or cause to be paid, the deficiency.

c. The Authority and the Borrower have caused this Letter of Intent to be authorized by their respective governing body or board of directors, and executed by their duly authorized officers as of the 25th day of April 2006.

THE HOSPITAL FACILITIES AUTHORITY OF  
MULTNOMAH COUNTY, OREGON  
TERWILLIGER PLAZA, INC.

By:   
David A. Boyer, Director  
County Management/CFO

By: \_\_\_\_\_  
Dee Sellner  
President & Chief Executive Officer