

**BEFORE THE HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

RESOLUTION NO. 04-081

Authorizing the issuance of The Hospital Facilities Authority of Multnomah County, Oregon Revenue Bonds, Series 2004 (Providence Health System) (the "Bonds"), in an aggregate principal amount not to exceed \$100,000,000; authorizing the execution of a Letter of Intent with Providence Health System - Oregon (the "Borrower"); designating an Authorized Representative; authorizing a public hearing; and related matters.

The Board of Directors of The Hospital Facilities Authority of Multnomah County, Oregon finds:

a. The Board of Directors of The Hospital Facilities Authority of Multnomah County, Oregon (the "Authority") has received a request from the Borrower, for the issuance by the Authority of its revenue bonds to finance the following projects (collectively, the "Project"):

- (1) construction, remodeling and equipping projects at Providence Portland Medical Center Campus estimated to cost in excess of \$100,000,000;
- (2) certain capitalized interest in connection with the Project; and
- (3) certain expenses incurred in connection with the issuance of the Bonds.

b. The Authority has determined that the Project constitutes a hospital facility within the meaning of Oregon Revised Statutes 441.525 to 441.595 (the "Act") to provide the people of the State of Oregon and Multnomah County with access to adequate medical care and hospital facilities; and

c. It is also advisable to execute and deliver a letter of intent, substantially in the form attached hereto as Exhibit A (the "Letter of Intent"), which sets forth the obligations of the Authority and the Borrower regarding the Bonds; and

d. The Board of Directors of the Authority have considered the terms and provisions of a draft Bond Trust Indenture (the "Indenture") between the Authority and U.S. Bank National Association in Portland, Oregon (the "Trustee") and a draft Loan and Security Agreement (the "Loan Agreement") between the Authority and the Borrower and a draft Preliminary Official Statement for the Bonds (the "Preliminary Official Statement"). The Authority determines that it is in the best interest for the Authority to provide adequate hospital services for the people of the State of Oregon and to proceed with the issuance of the Bonds. The Indenture and the Loan Agreement are incorporated herein by this reference.

The Authority Resolves:

Section 1. The Authority does authorize and approve of the provisions of and directs the execution, delivery and issuance by the Authority of the Bonds in an aggregate amount not exceeding \$100,000,000. Proceeds of the Bonds will be used to finance the Project.

The Bonds shall be issued in substantially the form as set forth in the Indenture.

Section 2. The Authority designates each of the Chair, Vice-Chair, Secretary of the Authority, or the Chief Financial Officer of the County or the Assistant Secretary of the Authority, or their designee as an "Authorized Representative" to act on behalf of the County and determine the remaining terms of the Bonds as specified in Section 14 herein.

Section 3. The Authority does provide for the establishment of the Bond Fund and Project Fund as set forth in the Indenture to be held in trust with or under the control of the Trustee for the purposes and uses as set forth in the Indenture. The Authority is obligated to deposit proceeds of the Bonds to the funds as set forth in the Indenture. In addition, the Authority shall provide for the deposit of all of the Loan Payments payable to the Authority from the Loan Agreement.

Section 4. The Authority's pledge for the payment of the Bonds shall be valid and binding from the date of the adoption of this Bond Resolution against any parties having subsequent claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have actual notice of this pledge. Pursuant to Oregon Revised Statutes Section 441.555(5) this pledge is noted in the Authority's minute book which shall contain this Bond Resolution and which shall be constructive notice thereof to all parties and neither this Bond Resolution nor other instrument by which a pledge is created need be otherwise recorded, nor shall the filing of any financing statement under the Oregon Uniform Commercial Code be required to perfect such pledge. Any moneys or obligations so pledged and later received by the Authority shall immediately be subject to the lien of the pledge without any physical delivery or further act.

Section 5. The Authority authorizes the sale of the Bonds to Merrill Lynch, Pierce, Fenner & Smith Incorporated, as underwriter (the "Underwriter") pursuant to the terms and conditions of a bond purchase agreement relating to the Bonds (the "Bond Purchase Agreement") to be prepared by the Underwriter and approved by the Authorized Representative. The Bonds shall be executed by the manual or facsimile signature of the Chair or Vice-Chair and shall be attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Authority.

Section 6. The Authority authorizes and directs the execution and delivery of and the performance by the Authority of the obligations and duties on its part as contained in the Indenture, the Loan Agreement and the Tax Agreement (as such term is defined in the Indenture), and the Bond Purchase Agreement. Any one or more of the Authorized Representatives shall approve, execute and deliver each of the above-described

documents and such other documents as are necessary to consummate the closing of the Bonds.

Section 7. U.S. Bank National Association is designated and approved as the initial “Trustee” pursuant to the Indenture.

Section 8. During any time that the Bonds are held in a book-entry only system (the “Book-Entry System”), the registered owner of all of the Bonds shall be The Depository Trust Company, New York, New York (“DTC”), and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. The Authority has entered into a Blanket Issuer Letter of Representations (the “Letter”) wherein the Authority represents that it will comply with the requirements stated in DTC’s Operational Arrangements as they may be amended from time to time.

Section 9. The Trustee is appointed and designated as the Paying Agent and Bond Registrar of the Bonds. The Authority does request and authorize the Bond Registrar to execute the Certificate of Authentication as of the date of delivery of the Bonds. The Paying Agent and Bond Registrar shall maintain a record of the names and addresses of the registered owners of the Bonds. The records of the registered bond ownership are not public records within the meaning of Oregon Revised Statute Section 192.210(4).

Section 10. The Bonds may be transferred or subject to exchange, for fully registered Bonds in denominations of \$5,000 or integral multiples thereof, as more fully provided in the Indenture.

Section 11. The Authority may defease the Bonds as provided in the Indenture.

Section 12. For purposes of compliance by the Underwriter with Rule 15c2-12(b)(1) of the federal Securities and Exchange Commission, the Authority authorizes the Authorized Representative to assist in the preparation, review, and ratify the distribution of the Preliminary Official Statement by the Underwriter and deem as near “final” the Preliminary Official Statement, in substantially the form presented to the Authorized Representative.

Section 13. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall own the same from time to time (the “Bondowners”), the provisions of this Resolution shall be part of the contract of the Authority with the Bondowners and shall be deemed to be a shall constitute a contract between the Authority and the Bondowners. The covenants, pledges, representations and warranties contained in this Resolution or in the closing documents executed in connection with the Bonds, including without limitation the Authority’s covenants and pledges contained herein, and the other covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof, except as expressly provided in or pursuant to this Resolution.

Section 14. The Authorized Representative is hereby authorized pursuant to ORS 288.520(4) to:

- a. Establish the principal and interest payment dates, principal amounts, optional and mandatory redemption provisions, if any, interest rates, and denominations and all other terms for the Bonds;
- b. Negotiate the terms with Merrill Lynch, Pierce, Fenner & Smith Incorporated under which the Bonds shall be sold; assist in the preparation of the Bond Purchase Agreement for the sale of the Bonds which incorporates those terms; if desired, select an expert advisor to evaluate the negotiated terms of the Bond; and execute and deliver the Bond Purchase Agreement;
- c. Assist, approve and authorize the preparation and distribution of the Preliminary Official Statement and a final Official Statement for the Bonds;
- d. Obtain municipal bond insurance on the Bonds if determined by the Authorized Representative to be in the best interest of the Authority and the Borrower, and expend Bond proceeds to pay any bond insurance premium;
- e. Obtain one or more ratings on the Bonds if determined by the Authorized Representative to be in the best interest of the Authority and the Borrower, and expend Bond proceeds to pay the costs of obtaining such rating;
- f. Take such actions as are necessary to qualify the Bonds for the Book-Entry System of DTC;
- g. Approve, execute and deliver the Bond closing documents and certificates;
- h. Enter into covenants regarding the use of the proceeds of the Bonds and the projects financed with the proceeds of the Bonds, to maintain the tax-exempt status of the Bonds; and
- i. Execute and deliver a certificate specifying the action taken pursuant to this Section 14, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Bonds in accordance with this Resolution.

Section 15. The Authorized Representative of the Authority is hereby authorized to execute and deliver on behalf of the Authority the Letter of Intent in substantially the form presented to this meeting with any changes to be approved by the Chief Financial Officer of the County with the Borrower, whereby, (1) the Authority agrees to use its best

efforts to provide for the issuance of the Bonds, subject to the provisions of the Act; (2) the Borrower agrees to pay all expenses of the Bond issuance and to save the Authority and the County harmless from any liability.

Section 16. The Authority designates Gottlieb, Fisher & Andrews, PLLC, of Seattle, Washington as Bond Counsel, Mersereau and Shannon, LLP as Special Authority Counsel, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chicago, Illinois as Underwriter with respect to this financing.

Section 17. The Chief Financial Officer of the County is authorized to hold a public hearing (the "TEFRA Hearing") with respect to the Bonds pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and to forward a report of such hearing to the Chair of the Board of Commissioners of Multnomah County.

ADOPTED this 10th day of June, 2004.

**THE HOSPITAL FACILITIES AUTHORITY
OF MULTNOMAH COUNTY, OREGON**

By


Diane M. Linn, Chair

ATTEST:

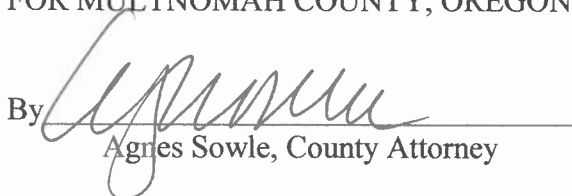
By


Dave A. Boyer, Assistant Secretary

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By


Agnes Sowle, County Attorney

LETTER OF INTENT

between

**THE HOSPITAL FACILITIES AUTHORITY OF
MULTNOMAH COUNTY, OREGON**

and

PROVIDENCE HEALTH SYSTEM - OREGON

THIS LETTER OF INTENT is between THE HOSPITAL FACILITIES AUTHORITY OF MULTNOMAH COUNTY, OREGON, a municipal corporation of the State of Oregon (the “Authority”), and PROVIDENCE HEALTH SYSTEM - OREGON, 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 municipal corporation, 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 for constructing, furnishing and equipping “hospital facilities” under the Act, upon such terms and conditions as the Authority may deem advisable.

b. The Authority proposes to issue revenue bonds pursuant to the Act to provide funds (1) to finance the costs of construction, remodeling and equipping projects at Providence Portland Medical Center Campus; (2) fund certain capitalized interest in connection with the Project; and (3) to fund certain expenses incurred in connection with the issuance of the Bonds (collectively, the “Project”) and to loan the proceeds of such revenue bonds (the “Revenue Bonds”) to the Borrower for such purposes.

c. The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue Revenue Bonds to finance the cost of the Project in a total amount not to exceed \$100,000,000.

d. The Authority finds that the issuance of Revenue Bonds to finance the cost of the Project, and the loaning of the proceeds thereof to the Borrower constitutes a valid public purpose.

e. The Borrower wishes to proceed with the preparation of necessary plans and specifications, and to incur expenses in connection with the Project. The Borrower does not wish to incur the costs and expenses and proceeds with its plans for the Project without assurances from the Authority, satisfactory to the Borrower, that proceeds of the sale of Revenue Bonds of the Authority will be made available to finance the Project. The parties consider it appropriate that the action contemplated hereunder be the subject of this Letter of Intent.

f. All references in this Letter of Intent to the Authority shall be deemed to include where appropriate its elected and appointed officials, employees and agents.

2. Undertakings on the Part of the Authority. Subject to the conditions stated herein, the preparation and approval of the various financing documents and review and approval by Bond Counsel and Special Counsel, the Authority agrees and represents as follows:

a. The Authority will, upon satisfaction by the Borrower of all conditions stated herein and all other conditions imposed on the Borrower by the Authority prior to issuance of the Revenue Bonds, authorize and cause the issuance of its Revenue Bonds to be payable solely from revenues of the Borrower to the Authority pursuant to a loan agreement or other financing agreement between the Borrower and the Authority, which Revenue Bonds will be in an aggregate principal amount not to exceed \$100,000,000.

b. The Authority will adopt such proceedings and authorize the execution of such documents as may be necessary and advisable for the authorization, issuance, sale and delivery of the Revenue Bonds, and loan the proceeds of the Revenue Bonds to the Borrower to finance the Project, all as authorized by law and as mutually satisfactory to the Borrower and the Authority.

c. 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 premium, if any, of the Revenue Bonds as and when the same become due and payable.

d. The Authority has appointed Gottlieb, Fisher & Andrews, PLLC as bond counsel (the “Bond Counsel”) and Mersereau & Shannon, LLP as Special Authority Counsel (the “Special Counsel”) to supervise the proceedings and to approve the legality of the actions of the Authority, the Revenue Bonds, the tax-exempt status of the Revenue Bonds and to conduct due diligence with respect to the Borrower and to assist in the review of the preliminary and final official statements for the Revenue Bonds.

e. Neither the Revenue Bonds nor the interest thereon shall be an obligation of Multnomah County, Oregon (the “County”), or the State of Oregon, or the personal obligations of the elected or appointed officials, employees or agents of the Authority, the County or the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but shall be payable solely from revenues of the Borrower and any bond insurance obtained by the Borrower. The Revenue 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.

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

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

a. If the Revenue Bond financing herein contemplated is available, it is the intent of the Borrower to cause the Project to be constructed, furnished and equipped within the territorial limits of the Authority.

b. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Revenue Bonds, and in the sale of the Revenue Bonds in an aggregate principal amount not to exceed \$100,000,000, to be used to finance the Project.

c. At the time of closing of the revenue bond sale, the Borrower will pay to the Authority, from revenue bond proceeds or other available Borrower funds, an issuers fee equal to one dollar (\$1.00) per one thousand dollars (\$1,000) of the principal amount of the revenue bonds, but not less than \$10,000 nor more than \$50,000 and the Borrower will pay, from revenue bond proceeds or other available Borrower funds, to Gottlieb, Fisher & Andrews, PLLC, as Bond Counsel and Mersereau & Shannon, LLP, as Special Counsel, fees negotiated between such parties and the Borrower.

d. At the time of closing of the Revenue 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 payments sufficient in the aggregate to pay the principal of and interest on, and redemption premium, if any, of the Revenue Bonds as and when

the same shall become due and payable. The Authority, at its option, may require the Revenue Bonds to be secured by a reserve fund or a bond insurance acceptable in form and substance to the Authority. The manner of the Sale of the Revenue Bonds shall be subject to the provisions of Article IV, Section 2 of the Authority's Bylaws.

e. The loan agreement or other financing agreement shall contain a provision that the Borrower shall indemnify and hold the Authority and the County and their elected or appointed officials, employees and agents harmless from all liabilities incurred in connection with the Project.

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 counsel to the underwriter with respect to the Revenue Bonds.

g. The loan agreement or other financing agreement shall also contain such other provisions as may be required or permitted by law and as are mutually acceptable to the parties.

h. In accordance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Borrower, as an "Obligated Person" within the meaning of the Rule, agrees to execute and deliver a Continuing Disclosure Agreement, in a form satisfactory to the Authority, Bond Counsel and Special Counsel and agrees to provide information as specified in the Continuing Disclosure Agreement on an annual basis and will undertake to provide in a timely manner notices of a material event, as defined in the Continuing Disclosure Agreement, with respect to the Revenue Bonds.

i. The Borrower will take such further action and adopt such further proceedings as may be required to implement these understandings.

4. General Provisions.

a. Except as provided in Section 4(b) and Section 5(a) hereof or as otherwise provided herein, all obligations arising under this Letter of Intent are conditioned upon the parties agreeing to mutually acceptable terms for the sale of the Revenue Bonds and mutually acceptable terms and conditions for the contracts and agreements contemplated herein; provided, however, that the Authority shall not participate in or be responsible for the marketing of the Revenue Bonds.

b. The Borrower will pay, or cause to be paid, to the Authority, whether the Revenue Bonds are actually issued or not, any fees and expenses incurred in connection with the issuance, sale and on-going administration of the Revenue Bonds, including without limitation, the reasonable fees and expenses of the County, Bond Counsel, Special Counsel, the Authority's financial advisor, if any, the Bond Trustee, registrar, and paying agent. The Borrower will also pay the cost of County staff time incurred in connection with the issuance, sale or on-going administration of the Revenue Bonds. In addition, the Borrower shall pay the out-of-pocket costs of Bond Counsel, Special Counsel, the Authority's financial advisor, if any, and County staff. The Borrower will also pay the cost and fees of its counsel, bond insurance, if any, underwriter's fees and any other costs incurred in connection with the Project or the Revenue Bonds.

c. The Borrower shall obtain, at its expense, all necessary governmental approvals and opinions of Bond Counsel to ensure the legality and tax-exempt status of the Revenue Bonds. In addition, the Borrower shall make no use of the Revenue Bond proceeds so as to cause the Revenue Bonds to be classified as arbitrage bonds as that term is defined in the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the

“Code”) or cease to be “qualified 501(c)(3) bonds” as that term is defined in Section 145 of the Code.

d. The Borrower agrees to pay to the Authority a proportional share of the fees incurred for the annual audit of the Authority as required by state law. The amount of the annual fee will be equal to the actual cost of the audit divided by the total number of non-profit corporations included in the Authority’s audit.

e. The Borrower agrees to execute and deliver the Continuing Disclosure Certificate as required by Section 3h. hereof.

5. Miscellaneous Provisions.

a. The Borrower shall and hereby agrees to indemnify and save the Authority and the County, their appointed or elected officials, employees or agents harmless against and from all claims by or on behalf of any person, firm, corporation or other legal entity arising from the execution of this Letter of Intent and the adoption of the Authority’s Resolution on June 10, 2004, and any other actions to be taken by the Authority or the County relating to the Project or the issuance of the Revenue Bonds for so long as the Revenue Bonds remain outstanding, including, without limitation, the conduct or management of, or from any work or thing done related to the Project, including without limitation, (i) any condition related to the Project, (ii) any breach or default on the part of the Borrower in the performance of any of its obligations under this Letter of Intent, (iii) any act or negligence of the Borrower or of any of its agents, contractors, servants, employees or licensees or (iv) any act or negligence of any assignee or lessee of the Borrower, or of any agents, contractors, servants, employees or licensees of any assignee or lessee of the Borrower. 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 Revenue 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 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 Revenue 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 officials, employees or agents, against claims or damages resulting from the Authority's or the County or their elected 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 deem appropriate so long as there is no liability, cost or expense to the Indemnified Party. The Borrower shall select legal counsel to represent each Indemnified Party and shall not be responsible for the legal fees and expenses of any legal counsel retained by any Indemnified Party without the written consent of the Borrower, unless the Authority or the County shall have reasonably concluded that there may be a conflict of interest between the Authority or the County and the Borrower in the conduct of the defense of such action (in which case the Borrower shall not have the right to direct the defense of such action on behalf of the Authority or the County but shall be responsible for the legal fees and expenses of the counsel retained by

the Indemnified Party whether incurred at trial, on appeal, in bankruptcy proceedings or otherwise).

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

c. Prior to the issuance of the Revenue Bonds, the Borrower shall provide to the Authority evidence of general liability insurance or other acceptable alternatives providing such protection and in such amounts as may be reasonably required by the Authority. 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 this 10th day of June, 2004.

**THE HOSPITAL FACILITIES
AUTHORITY OF MULTNOMAH
COUNTY, OREGON**

PROVIDENCE HEALTH SYSTEM - OREGON

By: _____

Diane M. Linn, Chair

By: _____

Title: _____