

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

**RESOLUTION NO. 07-101**

Authorizing Approval of the Issuance of a Tax-Exempt Loan, Bonds or Bond Anticipation Notes, in One or More Series, by The Hospital Facilities Authority of Multnomah County, Oregon in an Aggregate Principal Amount Not to Exceed \$10,000,000; Authorizing the Execution of a Letter of Intent with Pacific Mirabella Portland, LLC; Designating an Authorized Representative; 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"), a public authority organized and existing pursuant to Oregon Revised Statutes ("ORS") Sections 441.525 to 441.595, inclusive (the "Act"), has received a request from Pacific Mirabella Portland, LLC ("PMP" or the "Borrower"), an Oregon limited liability company, whose sole member is Pacific Retirement Services, Inc., a nonprofit corporation organized and existing under the laws of the State of Oregon and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 ("PRS"), to execute and deliver a tax-exempt loan, bonds or bond anticipation notes, in one or more series (collectively, the "Loan"), with one or more commercial banks or investment banks (collectively, the "Lender"), and loan the proceeds thereof to the Borrower in an aggregate principal amount not to exceed \$10,000,000 to finance and/or refinance the costs of the following projects (collectively, the "Project"):
1. the acquisition by the Borrower of unimproved real property described as Block 6 of Waterfront South, a plat recorded in Plat Book 1261, Pages 1 through 4, of the Multnomah County Plat Records, in the County of Multnomah, State of Oregon, from Oregon Health and Science University;
  2. certain design, planning, architectural, engineering, organizational and predevelopment costs; and
  3. certain costs relating to the issuance of the Loan.
- The land is being acquired by the Borrower in connection with the development of a continuing care retirement community to be known as Mirabella at South Waterfront and operated as a nonprofit corporation. Upon completion of the land acquisition and predevelopment of the land, the Borrower expects to request the Authority to consider issuing long-term tax-exempt and taxable bonds on behalf of the Borrower to finance the construction, furnishing and equipping of approximately 284 adult congregate care units or beds at the Mirabella at South Waterfront facility.
- b. The Authority has received an application from the Borrower in support of its request for financing the Project. The application includes the following:

1. A letter from PRS dated April 30, 2007 requesting issuance of the Loan on behalf of the Borrower and describing the Project;
  2. Financial Statements for PRS for fiscal years ended September 30, 2006 and 2005, and Independent Auditors' Report;
  3. Preliminary Financing Schedule;
  4. Distribution list of financing participants; and
  5. Preliminary schedule of sources and uses of funds and proposed debt service schedule.
- c. ORS Section 441.550 authorizes the Authority to borrow money and to issue notes and revenue bonds for the purpose of carrying out its powers, and ORS Section 441.560 authorizes the Authority to borrow from banks or other lenders such sums on such terms as the Board of Directors deems necessary or advisable. The Authority has determined that the execution and delivery of the financing documents described below and the use of the proceeds thereof by the Borrower to finance the Project is necessary and desirable and that such financing documents and the Project are in the best interest of the citizens of Multnomah County, Oregon.
- d. Section 147(f) of the Internal Revenue Code of 1986 (the "Code") requires that qualified 501(c)(3) bonds or loans be approved by the Chair of the Board of County Commissioners of Multnomah County, Oregon as the applicable elected representative of the governmental unit issuing the Loan and having jurisdiction over the area in which the Project is located.
- e. Section 147(f) also requires that a public hearing be conducted to provide the opportunity for members of the public to express their view, orally, or in writing, regarding the issuance of the Loan and the Project. The Authorized Representative, as hereinafter defined, is authorized to conduct a public hearing and provide a hearing officer's report to the Chair of the Board of County Commissioners. Notice of the public hearing will be published in *The Oregonian*.
- f. The Authority will issue the Loan under the following financing documents (collectively, the "Financing Documents"), which may include, but are not limited to:
1. a Tax-Exempt Loan Agreement between the Authority and the Lender;
  2. a Borrower Loan Agreement between the Authority, the Borrower and the Lender;
  3. a Tax-Exempt Note;
  4. a Borrower Note; and
  5. a Deed of Trust, Security Agreement and Assignment of Leases and Rents.

- g. The principal of and interest on the Loan will not constitute a debt of the Authority or Multnomah County, Oregon, nor shall the Loan be payable from a tax of any nature levied upon any property within Multnomah County, Oregon nor within any other political subdivision of the State of Oregon. The Authority has no taxing power. The Loan will be payable only from the revenues and resources provided or arranged by the Borrower.
- h. The Board determines that it is in the best interest for the Authority to provide adequate adult congregate care facilities and related services within Multnomah County, Oregon and to proceed with the issuance of the Loan. Capitalized terms not defined herein shall have the meanings set forth in the Financing Documents.

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

**Section 1.** The Authority does authorize and approve of the provisions of and directs the execution, sale, delivery and issuance by the Authority of the Loan, in one or more series, and in the form of a tax-exempt loan, bonds or bond anticipation notes, and in an aggregate principal amount not to exceed \$10,000,000 to finance the Project. Proceeds of the Loan will be used to finance the costs of the Project.

**Section 2.** The Authority designates each of the Chair, Vice Chair, Secretary, the Assistant Secretary, Chief Financial Officer of the County or the Authority's designee as "Authorized Representatives" of the Authority to negotiate the term and the sale of the Loan and to determine and designate the dated date of the Loan, the series designation, the maturity dates and amounts, the interest rates and interest rate modes, the optional and mandatory redemption provisions, with or without premium, if any, and the interest payment dates and such other provisions and terms of the Loan as are deemed necessary and desirable for the issuance, sale and closing of the Loan. Notes evidencing the Loan shall be executed by the facsimile signature of the Chair and shall be attested by the facsimile signature of an Authorized Representative of the Authority. The Loan shall mature not later than December 31, 2010. The Loan shall be issued or executed in the form as may be approved by the Authorized Representative.

The Authorized Representative is authorized 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 basic obligations of the Authority and the Borrower regarding the Loan.

**Section 3.** The Board authorizes the Authorized Representative, as defined in Section 2 hereof, to review and approve the terms and provisions of the Financing Documents, an official statement or other offering document, if any (collectively, the "Offering Document"), and a Purchase Agreement (the "Purchase Agreement") among the Authority, the Borrower and the Lender. The Financing Documents, the Offering Document and the Purchase Agreement are incorporated herein by this reference.

**Section 4.** The Authority provides for the establishment of the special funds as set forth in the Financing Documents, to be held in trust as set forth therein. The Authority is obligated to deposit proceeds of the Loan to the funds as set forth in and as required by the Financing Documents. In

addition, the Authority shall provide for the deposit of all of the loan payments payable to the Authority pursuant to the Financing Documents.

**Section 5.** The Authority's pledge for the payment of the Loan shall be valid and binding from the date of the adoption of this 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 Resolution and which shall be constructive notice thereof to all parties, and neither this 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 6.** The Authority authorizes the borrowing from the Lender and the loaning to the Borrower pursuant to the Financing Documents. The Authority authorizes the sale of notes evidencing the Loan pursuant to the terms and conditions of the Purchase Agreement, if required, as may be approved by the Authorized Representative.

**Section 7.** The Authority directs the Authorized Representative to select one or more commercial banks or investment banks as the Lender, execute and deliver the Financing Documents and the Purchase Agreement in the forms and with such changes as may be approved by the Authorized Representative. The Authority authorizes the performance by the Authority of the obligations and duties on its part as contained in the Financing Documents and the 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 sale and/or issuance of the Loan.

**Section 8.** The Authorized Representative is authorized to select a paying agent and bond registrar for the Loan, if necessary, and is authorized to execute a paying agent and registrar agreement, if necessary, which provides for compliance with Oregon Administrative Rule 170-061-0010, for and on behalf of the Authority. If selected, the paying agent and registrar shall maintain a record of the names and addresses of the registered owners of the notes evidencing the Loan. The records of the registered bond ownership are not public records within the meaning of Oregon Revised Statute Section 192.210(4).

**Section 9.** During any time notes evidencing the Loan are held in a book-entry only system (the "Book-Entry System"), the registered owner of all of the Loan shall be The Depository Trust Company, New York, New York ("DTC"), and notes evidencing the Loan 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 10.** For purposes of compliance by the Lender with Rule 15c2-12(b)(1) (the "Rule") of the federal Securities and Exchange Commission, and should an Offering Document be required to be distributed relating to the Loan, the Authority authorizes the distribution of the Offering

Document in preliminary and final form, and the Authorized Representatives are authorized to deem the Offering Document as “final” for purposes of the Rule.

**Section 11.** The Loan may be transferred or subject to exchange, for fully registered notes evidencing the Loan as provided in the Financing Documents. All notes evidencing the Loan issued upon transfer of or in exchange for the Loan shall be valid obligations of the Authority evidencing the same obligation and shall be entitled to the same benefits as the Loan surrendered for such exchange or transfer. All fees, expenses and charges of a paying agent and registrar shall be payable by the Borrower.

**Section 12.** The Authority may prepay the Loan as provided in the Financing Documents.

**Section 13.** In consideration of the purchase and acceptance of any or all of the Loan by those who shall own the same from time to time (the “Owners”), the provisions of this Resolution shall be part of the contract of the Authority with the Owners and shall be deemed to be and shall constitute a contract between the Authority and the Owners. The covenants, pledges, and representations contained in this Resolution or in the closing documents executed in connection with the Loan, 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 Owners, all of which shall be of equal rank without preference, priority or distinction of any of such Loan over any other thereof, except as expressly provided in or pursuant to this Resolution.

**Section 14.** The Authority hereby appoints Orrick, Herrington & Sutcliffe LLP to serve as Note Counsel and Special Counsel to the Authority.

**Section 15.** Each Authorized Representative of the Authority is authorized to take such action and to approve, execute or deliver for and on behalf of the Authority such other and additional documents including, but not limited to a tax certificate and agreement, an Internal Revenue Service Information Report (Form 8038), a reimbursement and credit agreement, an initial credit facility, an intercreditor agreement, a tender agent agreement, a remarketing agreement, a written certification and “identification” of an interest rate swap within the meaning of Treasury Regulations Section 1.148-4(h)(2) at the request of the Borrower in a timely manner, and any documents necessary to obtain credit enhancement or liquidity support for the Loan, if applicable, all as may be necessary in the opinion of Orrick, Herrington & Sutcliffe LLP, as Note Counsel and Special Counsel to the Authority, for the closing of the issuance and sale of the Loan. The Authorized Representatives are further authorized to carry out the transactions contemplated by the documents defined in the Financing Documents and as authorized and approved in this Resolution, and to execute and deliver the Purchase Agreement, the Financing Documents, the Loan, the Tax Certificate and Agreement and all other documents hereby authorized, to the respective parties entitled thereto.

**Section 16.** The Authority hereby authorizes the Authorized Representative to designate the Loan as a "qualified tax-exempt" obligation pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 if the Authorized Representative reasonably anticipates that the Authority (and all subordinate entities, if any) will not issue more than \$10,000,000 of tax-exempt obligations during calendar year 2007.

ADOPTED and effective this 17th day of May 2007.

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

By Ted Wheeler  
Ted Wheeler, Chair

ATTEST:

By Mindy Thomas  
Secretary

REVIEWED:

AGNES SOWLE, COUNTY ATTORNEY  
FOR MULTNOMAH COUNTY, OREGON

By John S. Thomas  
John S. Thomas, Deputy County Attorney

EXHIBIT A

LETTER OF INTENT

between

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

and

**PACIFIC MIRABELLA PORTLAND, LLC**

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 PACIFIC MIRABELLA PORTLAND, LLC (“PMP” or the “Borrower”), an Oregon limited liability company whose sole member is Pacific Retirement Services, Inc., a nonprofit corporation organized and existing under the laws of the State of Oregon and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (“PRS”).

**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, notes or a loan 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 a tax-exempt loan, bonds or bond anticipation notes, in one or more series (collectively, the “Loan”). The proceeds of the Loan will be used to make a loan to the Borrower to finance and/or refinance the costs of the following projects (collectively, the “Project”): (1) the acquisition by the Borrower of unimproved real property described as Block 6, Waterfront South, a plat recorded in Plat Book 1261, Pages 1 through 4, of the Multnomah County Plat Records, in the County of Multnomah, State of Oregon, from Oregon Health and Science University; (2) certain design, planning, architectural, engineering, organizational and predevelopment costs; and (3) certain costs relating to the issuance of the Loan.

The total estimated costs of the Project to be financed with the proceeds of the Loan will be in an aggregate principal amount not to exceed \$10,000,000.

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c. The Authority deems it necessary and advisable that it take such action as may be required under the Act to authorize and issue the Loan to finance all or a portion of the costs of the Project in a total amount not to exceed \$10,000,000.

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

e. 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 (a) the conditions stated herein and (b) the preparation and approval of the various financing documents and review and approval by Note 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 Loan, authorize and cause the issuance of its Loan to be payable solely from revenues of the Borrower to the Authority pursuant to a loan agreement or other financing agreement or documents (collectively, the "Financing Documents"), between the Borrower, the Authority and one or more commercial banks or investment banks as Lender, which Loan will be in an aggregate principal amount not to exceed \$10,000,000.

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 Loan, and loan the proceeds of the Loan 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 Financing Documents will be sufficient to pay the principal of and the interest on, and redemption premium, if any, of the Loan as and when the same become due and payable.

d. The Authority has appointed Orrick, Herrington & Sutcliffe LLP as Note Counsel and special counsel to the Authority (collectively, "Note Counsel") to supervise the proceedings and to approve the legality of the Loan, the tax-exempt status of the Loan and to conduct due diligence with respect to the Borrower and to assist in the review of any official statement or other offering document (collectively, the "Offering Document"), if any, for the Loan.

e. Neither the Loan nor the interest thereon shall be an obligation of the Authority, 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

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the State of Oregon within the meaning of any constitutional or statutory provisions whatsoever, but shall be payable solely from revenues or assets provided or arranged by the Borrower. The Loan 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 Loan, and the Loan 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 Loan financing herein contemplated is available, it is the intent of the Borrower to cause the Project to be completed.

b. The Borrower will cooperate with the Authority for the approval of all of the terms and conditions of the issuance of the Loan and in the sale of the Loan in an aggregate principal amount not to exceed \$10,000,000 to be used to finance the Project.

c. At the time of closing of the Loan, the Borrower will pay to the Authority, from Loan 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 Loan, in an aggregate amount not to exceed \$50,000 but not less than \$10,000, and the Borrower will pay from Loan proceeds or other available Borrower funds, to Note Counsel, fees based on the time incurred with respect to the Loan and the Project based on its standard hourly rates plus its out-of-pocket expenses.

d. At the time of closing of the Loan, the Borrower will deliver the executed Financing Documents 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 Loan as and when the same shall become due and payable. The Authority, at its option, may require the Loan 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 Financing Documents shall contain provisions in which the Borrower shall indemnify and hold the Authority and the County and their elected or appointed

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officials, employees and agents harmless from all liabilities incurred in connection with the Project or the sale, issuance, marketing or administration of the Loan.

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 lender with respect to the Loan.

g. The Financing Documents 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 Certificate, if necessary, in a form satisfactory to the Authority and Note Counsel and agrees to provide information as specified in the Continuing Disclosure Certificate on an annual basis and will undertake to provide in a timely manner notices of a material event, as defined in the Continuing Disclosure Certificate, with respect to the Loan.

i. In addition to the indemnification and hold harmless obligations of the Borrower under Section 5(a) hereof, the Borrower shall 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 any fees or costs incurred by the Authority or the County in responding to any Internal Revenue Service audit, Securities and Exchange Commission inquiry or any other federal, state or regulatory action or proceeding with respect to the Loan or the Project. The Borrower agrees to enter into an Agreement Relating to IRS Audits with the Authority as required by the Financing Documents. The Authority may employ, at the Borrower's expense, any counsel (internal or otherwise) or experts required in responding to any audit, inquiry, regulatory action or proceeding with respect to the Loan or the Project.

j. 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 Loan and mutually acceptable terms and

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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 Loan.

b. Notwithstanding anything to the contrary stated herein, the Borrower will pay, or cause to be paid, whether the Loan is actually issued or not, any fees and expenses incurred in connection with the issuance, sale and on-going administration of the Loan, including without limitation, the reasonable fees and expenses of Note Counsel, the Authority's financial advisor, if any, and a paying agent or registrar, if necessary. In addition, the Borrower shall pay the out-of-pocket costs of Note Counsel, the Authority's financial advisor, if any, and County staff. The Borrower will also pay the cost and fees of its counsel, lender's fees and any other costs incurred in connection with the Project or the Loan.

c. The Borrower shall obtain, at its expense, all necessary governmental approvals and opinions of Note Counsel to ensure the legality and tax-exempt status of the Loan. In addition, the Borrower shall make no use of the Loan proceeds so as to cause the Loan 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 execute and deliver the Continuing Disclosure Certificate, if necessary, 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 any and all other actions to be taken by the Authority or the County relating to the Project or the issuance of the Loan for so long as the Loan remains 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, (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, (v) any omission or misstatements of any material fact in any Offering Document or any other liability arising from the sale, issuance, marketing or administration

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of the Loan, or (vi) any Internal Revenue Service audit or proceeding or any 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 Loan 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 Document or lack of Offering Document, if any, in connection with the sale or resale of the Loan 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.

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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 Loan 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 17th day of May 2007.

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

**PACIFIC MIRABELLA PORTLAND, LLC**

By: \_\_\_\_\_  
Authorized Representative

By: \_\_\_\_\_  
Authorized Representative