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Draft of 9/1/05

CITY OF LOMA LINDA, CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

AMENDED AND RESTATED BOND INDENTURE

Dated as of September 1, 1999
As amended and restated October 1, 2005

$_____

CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE REFUNDING BONDS
(LOMA LINDA UNIVERSITY MEDICAL CENTER),
SERIES 1999-A

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EXHIBIT A FORM OF BOND A-1
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This AMENDED AND RESTATED BOND INDENTURE, made and entered into as of September 1, 1999, as amended and restated October 1, 2005, by and between the CITY OF LOMA LINDA, CALIFORNIA, a charter city duly organized and existing under the Constitution and laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Bond Trustee");

W I T N E S S E T H:

WHEREAS, the City has previously issued its Hospital Revenue Refunding Bonds (Loma Linda University Medical Center), Series 1999-A (the "1999 Bonds") pursuant to an Indenture of Trust, dated as of December 1, 1982, by and between the City and U.S. Bank National Association, as successor trustee (as amended to the date hereof, the "Existing Indenture"); and

WHEREAS, the 1999 Bonds are the only Bonds (as such term is defined in the Existing Indenture) remaining outstanding under the Existing Indenture;

WHEREAS, the 1999 Bonds are secured by payments under a Project Agreement dated as of December 1, 1982 by and between the Loma Linda University Medical Center (the "Corporation") and the City (as amended to the date hereof, the "Existing Agreement") including payments under a Note (the "1999-A Note") securing payments of the Corporation under the Existing Agreement with respect to the 1999 Bonds;

WHEREAS, pursuant to a master indenture of trust, dated as of October 1, 2005 (the "Master Indenture"), between the Corporation and U.S. Bank Trust National Association, as master trustee (the "Master Trustee"), and a supplemental master indenture for Obligation No. 1, dated as of October 1, 2005, between the Corporation and the Master Trustee, the Corporation, proposes to issue Obligation No. 1 to substitute for the 1999-A Note as security for the 1999 Bonds and has requested that the Existing Agreement and the Existing Indenture be amended and restated in connection therewith; and

WHEREAS, pursuant to Section 5.03 of the Thirteenth Supplemental Indenture of Trust, dated as of September 1, 1999, between the City and U.S. Bank National Association, as trustee (the "Thirteenth Supplemental Indenture of Trust") Ambac Assurance Corporation, as bond insurer, is deemed the owner of the Bonds for purposes of giving written approval or consent by the owners of the 1999 Bonds to any amendment to the Existing Indenture; and

WHEREAS, all acts and proceedings required by law necessary to amend and restate the Existing Indenture have been done and taken, and the execution and delivery of this Bond Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS AMENDED AND RESTATED BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest on all Bonds at any time issued and outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree

with the Bond Trustee, for the benefit of the respective Holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Additional Payments

"Additional Payments" means the payments so designated and required to be made by the Corporation pursuant to Section 4.2 of the Loan Agreement.

Administrative Fees and Expenses

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the City or the Bond Trustee.

Authorized Newspaper

"Authorized Newspaper" means a newspaper or financial journal of national circulation printed in the English language, being customarily published on each business day whether or not published on Saturdays, Sundays or holidays.

Authorized Representative

"Authorized Representative" means with respect to the Corporation or any Member, the chairman or president of its Governing Board, its chief executive officer or its chief financial officer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

Beneficial Owner

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

Bond Counsel

"Bond Counsel" means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the City.

Bond Fund

"Bond Fund" means the fund by that name established pursuant to Section 5.01.

Bond Indenture

"Bond Indenture" means this Amended and Restated Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

Bond Insurer

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Bond Trustee

"Bond Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor as provided in Section 8.01, as Bond Trustee hereunder.

Bond Year

"Bond Year" means the period of twelve consecutive months ending on December 1 in any year in which Bonds are Outstanding.

Bonds

"Bonds" means the City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center), Series 1999-A, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

Business Day

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, the State of New York or in any state in which the office of the Master Trustee or the Bond Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

Certificate, Statement, Request, Requisition or Order of the City or the Corporation

"Certificate," "Statement," "Request," "Requisition" and "Order" of the City or the Corporation, mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by any person as may be designated and authorized to sign for the City in writing to the Bond Trustee, or in the name of the Corporation by an Authorized Representative of the Corporation. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

City

"City" means the City of Loma Linda, California, and its successors or assigns.

Code

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

Corporation

"Corporation" means Loma Linda University Medical Center, a nonprofit religious corporation duly organized and existing under the laws of the State, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

Date of Issuance

"Date of Issuance" means September 1, 1999.

Debt Service Reserve Account

"Debt Service Reserve Account" means the account by that name in the Bond Fund established pursuant to Section 5.02.

Environmental Regulation

"Environmental Regulation" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

Event of Default

"Event of Default" means any of the events specified in Section 7.01.

Facilities

"Facilities" means the medical center and other facilities identified on Exhibit B attached hereto.

Favorable Opinion of Bond Counsel

"Favorable Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under the Bond Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Fitch

"Fitch" means Fitch Ratings, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Corporation, with notice to the City and the Trustee.

Governing Board

"Governing Board" means the board of directors, board of trustees or other board or group of individuals in which the power of the corporation or other entity is vested, except for those powers reserved to the corporate membership by the articles of incorporation or bylaws of such corporation or entity.

Hazardous Substances

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Facilities or to persons on or about the Facilities or (ii) cause the Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safely Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq.; the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities, or any other person coming upon the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

Holder or Bondholder

"Holder" or "Bondholder," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

Information Services

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and S&P's "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in writing to the Trustee.

Interest Account

"Interest Account" means the account by that name established in the Bond Fund pursuant to Section 5.02.

Interest Payment Date

"Interest Payment Date" means June 1 and December 1 of each year, commencing December 1, 2005.

Investment Securities

"Investment Securities" means any of the following:

(a) United States Government Obligations;

(b) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies that are hereafter created: Federal Farm Credit Bank; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Federal National Mortgage Association; Tennessee Valley Authority; Student Loan Marketing Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; and Government National Mortgage Association;

(c) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in one of the two highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds);

(d) commercial paper rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such commercial paper (but in all cases by at least one Rating Agency then rating the Bonds);

(e) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any bank or trust company or any savings and loan association, and either (i) the long-term obligations of such bank or trust company are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but

in all events by at least one Rating Agency then rating the Bonds), or (ii) the deposits or other arrangements are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the United States of America, (1) by depositing with a bank or trust company, as collateral security, obligations described in paragraph (a) or (b) above in an aggregate principal amount equal to a least 105% of the amount so deposited or, with the approval of the Bond Trustee, other marketable securities eligible as securities for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (2) if the furnishing of security as provided in clause (1) of this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

(f) repurchase agreements with respect to obligations listed in paragraph (a) or (b) above if entered into with a bank, a trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) that is a dealer in government bonds, that reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, if such obligations that are the subject of such repurchase agreement are delivered to the Bond Trustee or are supported by a safekeeping receipt issued by a depository (other than the Bond Trustee) satisfactory to the Bond Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price;

(g) shares or certificates in any short-term investment fund that is maintained or utilized by the Bond Trustee and which fund invests solely in other Investment Securities;

(h) investment agreements with any financial institution that at the time of investment has long-term obligations rated in one of the three highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds);

(i) shares or certificates in any mutual fund invested solely in Investment Securities described in clauses (a)-(h) of this definition; and

(j) obligations (including asset-backed and mortgaged-backed obligations) of any corporation, partnership, trust or other entity which are rated in one of the two highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

Loan Agreement

"Loan Agreement" means that certain amended and restated project agreement by and between the City and the Corporation, dated as of September 1, 1999, as amended and restated October 1, 2005, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

Loan Default Event

"Loan Default Event" means any of the events specified in Section 6.1 of the Loan Agreement.

Loan Repayments

"Loan Repayments" means the payments so designated and required to be made by the Corporation pursuant to Section 4.1 of the Loan Agreement.

Master Indenture

"Master Indenture" means that certain master indenture of trust, dated as of October 1, 2005, between the Corporation and the Members and the Master Trustee and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Master Trustee

"Master Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as successor master trustee under the Master Indenture.

Members

"Members" means each Person that is then obligated under the Master Indenture.

Moody's

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

1999-A Note

"1999-A Note" shall have the meaning set forth in the third WHEREAS clause in this Bond Indenture.

Obligated Group

"Obligated Group" means all the Members.

Obligated Group Representative

"Obligated Group Representative" shall have the meaning set forth in Section 1.01 of the Master Indenture.

Obligation No. 1

"Obligation No. 1" means the obligation issued under the Master Indenture and Supplement No. 1 and received by the Bond Trustee in substitution for the 1999-A Note.

Officer's Certificate

"Officer's Certificate" shall have the meaning set forth in Section 1.01 of the Master Indenture.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the City) selected by the City and not objected to by the Corporation. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 12.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 12.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

Person

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Policy

"Policy" means the Municipal Bond Insurance Policy issued by the Bond Insurer insuring the payment when due of the principal and interest on the Bonds.

Principal Account

"Principal Account" means the account by that name established in the Bond Fund pursuant to Section 5.02.

Principal Corporate Trust Office

"Principal Corporate Trust Office" means the office of the Bond Trustee located at 633 West Fifth Street, 24th Floor, Los Angeles, California, 90071, Attention: Corporate Trust Services, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the City and the Corporation.

Principal Payment Date

"Principal Payment Date" means, with respect to a Bond, the date on which principal evidenced by such Bond becomes due and payable, whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Rating Agency

"Rating Agency" means S&P, Moody's and Fitch.

Rating Category

"Rating Category" means one of the general rating categories of either Rating Agency without regard to any refinement or graduation of such rating category by numerical modifier or otherwise.

Rebate Fund

"Rebate Fund" means the fund by that name established pursuant to Section 5.07.

Record Date

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

Redemption Fund

"Redemption Fund" means the fund by that name established pursuant to Section 5.06.

Redemption Price

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

Reserve Account Requirement

"Reserve Account Requirement" means, as of any date of calculation, an amount equal to the average annual debt service on all Bonds Outstanding as of such date.

Revenues

"Revenues" means all amounts received by the City or the Bond Trustee for the account of the City pursuant or with respect to the Loan Agreement or Obligation No. 1, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), redemptions, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund.

S&P

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

Securities Depository

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other Securities Depository selected as set forth in Section 2.09 which agrees to follow the procedures required to be followed by such Securities Depository in connection with the Bonds.

Special Record Date

"Special Record Date" means the date established by the Bond Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds.

Special Redemption Account

"Special Redemption Account" means the account by that name in the Redemption Fund established pursuant to Section 5.06.

State

"State" means the State of California.

Supplement No. 1

"Supplement No. 1" means that certain supplemental master indenture, dated as of October 1, 2005, between the Corporation and the Master Trustee.

Supplemental Bond Indenture

"Supplemental Bond Indenture" means any indenture hereafter duly authorized and entered into between the City and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

Tax Certificate and Agreement

"Tax Certificate and Agreement" means the Tax Certificate and Agreement delivered by the City and the Corporation at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

United States Government Obligations

"United States Government Obligations" means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America;

(2) certificates or other instruments that evidence direct ownership of future principal and/or interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company acceptable to the Bond Trustee in a special account separate from the general assets of such custodian; and

(3) obligations (a) the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2), and (c) that are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Indenture with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City or the Corporation may be based, insofar as it relates to legal, accounting or hospital matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City or the Corporation, as the case may be) upon a certificate or opinion of or representation by an officer of the City or the Corporation, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City or the Corporation, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Bond Indenture, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

SECTION 1.03. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine

gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds were issued hereunder and are designated as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center), Series 1999-A." The aggregate principal amount of Bonds currently Outstanding under this Bond Indenture is seventy-one million eight hundred thirty thousand dollars ($71,830,000). This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Terms of the Bonds. The Bonds were issued as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The Bonds were initially registered in the name of Cede & Co., as nominee of the Securities Depository. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Article II. The Bonds shall be dated as of the Date of Issuance, and interest thereon shall be payable on each Interest Payment Date. The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity Date (December 1)	***Principal Amount***	***Interest Rate***
2006	$6,970,000	4.45%
2007	7,245,000	4.55
2008	7,545,000	4.65
2009	7,850,000	4.75
2010	8,175,000	4.85
2011	8,530,000	4.95
2012	8,470,000	5.05
2013	5,405,000	5.15
2014	5,680,000	5.20
2015	5,960,000	5.25

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation. Payment of the interest on any Bond shall be

made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first-class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least $1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty- (360) day year basis of twelve (12) thirty- (30) day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of its Mayor attested by the manual or facsimile signature of the City Clerk. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or attested shall have been authenticated or delivered by the Bond Trustee or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any Bond may be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.04. Transfer of Bonds. Subject to the provisions of Section 2.09, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Trustee, and such other documentation as the Bond Trustee may reasonably require.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount of authorized denominations. The Bond Trustee shall require the

Bondholder requesting such transfer to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such transfer. The Bond Trustee shall not be required to transfer (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.05. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such exchange. The Bond Trustee shall not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.06. Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times, upon reasonable notice, be open to inspection by any Bondholder or his agent duly authorized in writing, the City or the Corporation; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

The Person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes thereof, and payment of or on account of the interest and principal or Redemption Price represented by such Bond shall be made only to or upon the order in writing of such Holder, which payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the City and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee

and, if such evidence be satisfactory and indemnity satisfactory to the Bond Trustee and the City shall be given, the City, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.09. Use of Securities Depository.

(A) The Bonds shall initially be issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor to the Securities Depository or its nominee, or to any substitute Securities Depository designated pursuant to clause (ii) of this subsection (a) ("substitute Securities Depository"); provided that the successor to the Securities Depository or substitute Securities Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any substitute Securities Depository designated by the City (at the direction of the Corporation) and not objected to by the Bond Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute Securities Depository or its successor); or (2) a determination by the City (at the direction of the Corporation) that the Securities Depository or its successor (or any substitute Securities Depository or its successor) is no longer able to carry out its functions as Securities Depository; provided, that any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any Person as provided below, upon (1) the resignation of the Securities Depository (or substitute Securities Depository or its successor) from its functions as Securities Depository; provided, that no substitute Securities Depository which is not objected to by the Bond Trustee can be obtained or (2) a determination by the City (with the concurrence of the Corporation) that it is in the best interests of the City to remove the Securities Depository (or any substitute Securities Depository or its successor) from its functions as Securities Depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the City to the Bond Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of the Securities Depository or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such Certificate of the City. In the case of any transfer pursuant to clause (iii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such Person as are requested in such a Statement of the City, subject to the limitations of Section 2.02, provided the Bond Trustee shall not

be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Certificate of the City.

(C) If the Bonds are registered in the name of a Securities Depository as provided herein, in the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount then Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The City, the Corporation and the Bond Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the Bond Trustee or the City; and the City and the Bond Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the City, the Corporation nor the Bond Trustee shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute Securities Depository or its successor), except to the Holder of any Bond.

(E) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as all Bonds are registered in the name of any nominee of the Securities Depository, any requirement for transfer or delivery of the Bonds, with respect to redemption or otherwise, may be effectuated by providing appropriate transfer instructions to the Securities Depository.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds. The City executed and the Bond Trustee authenticated and, upon Order of the City, delivered the Bonds in the aggregate principal amount of one hundred nine million three hundred thirty-five thousand dollars ($109,335,000).

SECTION 3.02. Application of Proceeds of Bonds. The proceeds received from the sale of the Bonds have previously been expended in full.

SECTION 3.03. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that all acts and proceedings required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in the issuance thereof shall be conclusive evidence of the validity of the Bonds and the validity of the obligations which they represent and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption.

(A) The Bonds are callable for redemption in whole or in part in the events described in Section 805 of the Existing Agreement or in whole in the event the Corporation exercises its option pursuant to Section 1402 of the Existing Agreement, and the Bond Trustee shall use moneys received by it pursuant to the provisions of Sections 805 or Section 1402 of the Existing Agreement (each of which is hereby incorporated by reference as if such provisions, including their defined terms, were restated in their entirety) to so redeem Bonds. The Bonds shall be subject to redemption through the application of such moneys, at any time (or if redeemed in part, on any interest payment date) at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption and without premium.

(B) The Bonds are not subject to redemption prior to their respective stated maturities at the option of the City.

SECTION 4.02. Selection of Bonds for Redemption. The election to redeem any Bonds shall be evidenced by a Request to the Bond Trustee. In case of any redemption of less than all of the Outstanding Bonds, the City, or through it the Corporation, shall, at least 45 days prior to the redemption date fixed by the City, or through it the Corporation (unless a shorter notice shall be satisfactory to the Bond Trustee), notify the Bond Trustee of such redemption date and of the principal amount of Bonds to be redeemed.

If less than all of the Outstanding Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by the Bond Trustee from the Outstanding Bonds, by lot (or, in the case of a redemption pursuant to Section 401(a) hereof, in inverse order of maturity and by lot within a maturity) in such manner as the Bond Trustee shall deem fair and appropriate and which selection may provide for the selection for redemption of portions of the principal of Bonds in the denomination larger than $5,000 or the smallest authorized denomination of the Bonds or a multiple thereof.

The Bond Trustee shall promptly notify the City and the Corporation in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Bond Indenture, unless the context otherwise requires, all provisions relating to the redemption of Bonds shall relate, in the case of any registered Bond redeemed or to be redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

SECTION 4.03. Notice of Redemption. Notice of redemption identifying the Bonds to be redeemed shall be given by the Bond Trustee (a) by publication one time not less than 30 days prior to the date fixed for redemption in an Authorized Newspaper, and (b) by first class mail, postage prepaid, to all registered owners of Bonds to be redeemed (provided, however, that failure to mail an appropriate notice or any such notice shall not affect the validity of the proceedings of such redemption if notice by publication is duly made in proper and timely fashion). If at the time of

giving notice of redemption, all Bonds to be redeemed are registered as to principal (other than to bearer) or fully registered, publication of notice as herein provided shall be deemed to have been waived if notice of redemption shall have been mailed by first class mail, postage prepaid, to the registered Holder or Holders of the Bonds to be redeemed, and failure to duly give such notice by mailing, or any defect in the notice to the registered owner of any Bond designated for redemption shall not affect the validity of the proceedings for the redemption of any other Bond. If, because of the temporary or permanent suspension of the publication or general circulation of an Authorized Newspaper or for any other reason, it is impossible or impractical to publish such notice of call for redemption in the manner herein provided, then such a publication in lieu thereof as shall be made with the approval of the Bond Trustee shall constitute a sufficient publication of notice.

Each notice of redemption shall state the redemption date, the place at which payment will be made, the principal amount to be redeemed and, if less than all of the Bonds of any one maturity are to be redeemed, the distinctive numbers and letters of the Bonds to be redeemed and, in the case of fully registered Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any fully registered Bond is to be redeemed in part only, the notice of redemption which relates to that Bond shall also state that on or after the date fixed for redemption, upon surrender of the Bond, a new fully registered Bond in principal amount equal to the unredeemed portion of the Bond will be issued. The notice of redemption shall also state that the interest on the Bonds, or portions of Bonds, in such notice designated for redemption shall cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Bonds, or portions of Bonds, the principal amount thereof to be redeemed plus accrued interest to the date fixed for redemption.

Failure by the Bond Trustee to give notice pursuant to this Section 4.03 to any one or more of the Securities Depository or Information Services, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive said notice) pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of the Corporation, for and on behalf of the City.

SECTION 4.04. Partial Redemption of Bonds. Any Bond which is to be redeemed only in part shall be surrendered to the Bond Trustee (with, if the City or the Bond Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the City and the Bond Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing) and the appropriate officials of the City shall execute and the Bond Trustee shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same series, of any authorized denomination or denominations, having the same maturity and interest rate as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called

for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Pledge and Assignment; Bond Fund.

(A) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Bond Indenture, excepting only moneys on deposit in the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(B) The City hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (A) of this Section and all of the right, title and interest of the City in the Loan Agreement and Obligation No. 1 (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the City, and (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 and 6.5 of the Loan Agreement). The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the City shall be deemed to be held, and to have been collected or received, by the City as the agent of the Bond Trustee and shall forthwith be paid by the City to the Bond Trustee. The Bond Trustee shall also be entitled to and subject to the provisions of this Bond Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the City and all of the obligations of the Corporation under the Loan Agreement and all of the obligations of the Members under Supplement No. 1 and Obligation No. 1 other than for those rights retained by the City.

(C) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Bond Trustee shall establish, maintain and hold in trust, except as otherwise provided in Sections 5.07 and 5.08 and except that all moneys received by the Bond Trustee and required to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, which the Bond Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(D) If by the second (2nd) day of each month, the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02, the Bond Trustee shall immediately notify the Corporation (by notice to both its chief financial officer and chief executive officer), the Obligated Group Representative of such insufficiency (stating in such notice that (i) the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02; (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore; and (iii) such insufficiency shall constitute a Loan Default Event if not satisfied by the twentieth (20th) day of such month) by telephone or telecopy and confirm such notification, as soon thereafter as practicable, by written notice.

SECTION 5.02. Allocation of Revenues. On or before each February 25, May 25, August 25 and November 25, the Bond Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Bond Trustee shall establish and maintain within the Bond Fund) and then to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

First: to the Interest Account, one-half of the aggregate amount of interest becoming due and payable on the next ensuing Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; provided that from the date of delivery of the Bonds until the first Interest Payment Date with respect to the Bonds, transfer to the Interest Account shall be sufficient, on a monthly pro rata basis, to pay the interest becoming due and payable on the Bonds on said Interest Payment Date;

Second: to the Principal Account, one-fourth of the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal; provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a monthly pro rata basis to pay the principal becoming due and payable on said principal payment date;

Third: to the Debt Service Reserve Account, in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Investment Securities deposited therein in accordance with Section 5.05(B), the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

Fourth: to the Rebate Fund, such amounts as are required to be deposited therein by this Bond Indenture (including the Tax Certificate and Agreement).

Any moneys remaining in the Bond Fund after the foregoing transfers shall be transferred to the Corporation.

SECTION 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as

it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

SECTION 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds when due and payable.

SECTION 5.05. Application of Debt Service Reserve Account.

(A) The amounts in the Debt Service Reserve Account shall be applied as specified in Section 6.06 of the Existing Indenture, subject to replenishment as specified in Section 502 of the Existing Agreement. Section 6.06 of the Existing Indenture and Section 502 of the Existing Agreement are hereby incorporated by reference as if such provisions, including their defined terms, were restated in their entirety. All amounts in the Debt Service Reserve Account shall be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account or (together with any other money available therefor) for the redemption of all Bonds then Outstanding.

(B) Amounts on deposit in the Debt Service Reserve Account shall be valued by the Bond Trustee at their market value each December 1, and the Bond Trustee shall notify the Corporation of the results of such valuation. If the amount on deposit in the Debt Service Reserve Account on any day following such valuation is less than the Reserve Account Requirement, the Corporation shall make the deposits to the Debt Service Reserve Account required by Section 5.02 hereof. If the amount on deposit in the Debt Service Reserve Account on any day following such valuation is more than the Reserve Account Requirement, the amount in excess of the Reserve Account Requirement shall be withdrawn by the Bond Trustee from the Debt Service Reserve Account and transferred to the Bond Fund.

(C) In lieu of maintaining and depositing moneys in the Debt Service Reserve Account (if required by Subsection (A) above), the Corporation may deposit with the Bond Trustee a letter of credit, (i) which is issued by a bank with a credit rating at the time of deposit of such letter of credit into the Debt Service Reserve Account in one of the highest three Rating Categories of each Rating Agency then rating the Bonds, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member senior to any lien which secures the Bonds, and (iii) which has a term of at least five years from the date of issuance thereof. If the credit rating of the bank issuing such letter of credit falls below the highest three Rating Categories of each Rating Agency then rating the Bonds, the Corporation shall within twelve months of such downgrading either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of Subsection (D) below, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). At least six months prior to the expiration date of a letter of credit on deposit in the Debt Service Reserve Account, the Corporation shall either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of Subsection (D) below, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). Any such letter of credit shall permit the Bond Trustee to draw amounts thereunder for deposit in the Debt Service Reserve Account which, together with any moneys on deposit in or surety bond policy available to fund, the Debt Service Reserve Account, are not less than the Reserve Account Requirement and which may be applied to any purpose for which moneys in the Debt

Service Reserve Account may be applied. The Bond Trustee shall make a drawing on such letter of credit (i) whenever moneys are required for the purposes for which Debt Service Reserve Account moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or an irrevocable surety bond are available in the Debt Service Reserve Account in the amount of the Reserve Account Requirement.

(D) In lieu of maintaining and depositing moneys in the Debt Service Reserve Account (if required by Subsection (A) above), the Corporation, also may maintain in effect an irrevocable surety bond policy (i) which is issued by a bond insurance company with a claims-paying ability rating at the time of deposit of such surety bond policy into the Debt Service Reserve Account in one of the highest three Rating Categories of each Rating Agency then rating the Bonds, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member senior to any lien which secures the Bonds, and (iii) has a term of at least five years from the date of issuance thereof. If the credit rating of the bond insurance company issuing such surety bond policy falls below the highest three Rating Categories of each Rating Agency then rating the Bonds, the Corporation shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or a letter of credit satisfying the requirements of Subsection (C) above, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). At least six months prior to the expiration date of a surety bond policy on deposit in the Debt Service Reserve Account, the Corporation shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or a letter of credit satisfying the requirements of Subsection (C) above, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). Any such surety bond policy shall permit the Bond Trustee to obtain amounts thereunder for deposit in the Debt Service Reserve Account which, together with any moneys on deposit in or letter of credit available to fund, the Debt Service Reserve Account, are not less than the Reserve Account Requirement and which may be applied to any purpose for which moneys in the Debt Service Reserve Account may be applied. The Bond Trustee shall make a drawing on such surety bond policy (i) whenever moneys are required for the purposes for which Debt Service Reserve Account moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or a letter of credit are available in the Debt Service Reserve Account in the amount of the Reserve Account Requirement.

SECTION 5.06. Application of Redemption Fund. The Bond Trustee shall establish and maintain within the Redemption Fund a separate Special Redemption Account and shall accept all moneys deposited for redemption and shall deposit such moneys into said Account. All amounts deposited in the Special Redemption Account shall be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Bond

Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation.

SECTION 5.07. Rebate Fund.

(A) The Bond Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate and Agreement. Subject to the transfer provisions provided in subsection (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate and Agreement), for payment to the federal government of the United States of America. Neither the City, the Corporation nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Certificate and Agreement (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate and Agreement, and shall have no liability or responsibility to enforce compliance by the Corporation or the City with the terms of the Tax Certificate and Agreement or any other tax covenants contained herein. The Bond Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee shall have no independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Bond Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(B) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate and Agreement. The Bond Trustee shall supply to the Corporation and/or the City all necessary information in the manner provided in the Tax Certificate and Agreement to the extent such information is reasonably available to the Bond Trustee.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created under this Bond Indenture or from other moneys provided to it by the Corporation.

(D) At the written direction of the Corporation, the Bond Trustee shall invest all amounts held in the Rebate Fund solely in Investment Securities, subject to the restrictions set forth in the Tax Certificate and Agreement. Moneys shall not be transferred from the Rebate Fund except as provided in subsection (E) below. The Bond Trustee shall not be liable for any consequences arising from such investment.

(E) Upon receipt of the Corporation's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written

directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the City, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bond Trustee, shall be withdrawn and remitted to the Corporation.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.06 and the Tax Certificate and Agreement shall survive the defeasance or payment in full of the Bonds.

SECTION 5.08. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested and reinvested by the Bond Trustee, upon the written direction of the Corporation, solely in Investment Securities. The Bond Trustee shall acquire such Investment Securities upon the written direction of the Corporation at such prices and on such terms as directed by the Corporation. The Bond Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Bond Trustee that such investment constitutes an Investment Security. In the absence of written investment directions from the Corporation, the Bond Trustee shall invest solely in Investment Securities set forth in clause (g) of the definition thereof. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation.

Moneys in all funds and accounts (other than the Debt Service Reserve Account) shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Moneys in the Debt Service Reserve Account shall be invested in Investment Securities with a maturity of not to exceed five years from the date of investment. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement. Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee or its nominee.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Bond Indenture shall be deposited when received in the Bond Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account (other than the Debt Service Reserve Account, which shall be governed by Section 5.05(B)), all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of

interest following acquisition) or market value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this Section.

The City and the Corporation (by its execution of the Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Corporation the right to receive brokerage confirmations of security transactions as they occur, the City and the Corporation specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish, pursuant to Section 6.05(B) hereof, periodic cash transaction statements which include details for all investment transactions made by the Bond Trustee hereunder.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The City shall punctually cause to be paid the principal of and interest on all of the Bonds, in strict conformity with the terms of the Bonds and of this Bond Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture.

SECTION 6.02. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03. Against Encumbrances. The City shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Bond Indenture. Subject to this limitation, the City expressly reserves the right to enter into one or more other indentures for any of its corporate purposes and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legal, valid and binding limited obligations of the City in accordance with their terms, and the City and Bond Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05. Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds, the Revenues, the Loan Agreement, Obligation No. 1 and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the City, the Corporation, the Obligated Group Representative and any Bondholder, or the agent or representative of any of them duly authorized in writing, at reasonable hours and under reasonable circumstances with reasonable notice.

(B) The Bond Trustee shall file and furnish on or before the 15th day of each month to the City, the Corporation, the Obligated Group Representative and each Bondholder who shall have filed his or her name and address with the Bond Trustee for such purpose a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for the preceding month.

SECTION 6.06. Tax Covenants. The City shall at all times do and perform all acts and things permitted by law and this Bond Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the City agrees to comply with the provisions of the Tax Certificate and Agreement.

SECTION 6.07. Enforcement of Loan Agreement and Obligation No. 1. The Bond Trustee shall promptly collect all amounts due from the Corporation pursuant to the Loan Agreement and from the Members pursuant to Obligation No. 1, shall perform all duties imposed upon it pursuant to the Loan Agreement and, subject to the provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the City and all of the obligations of the Corporation and the Members.

SECTION 6.08. Amendment of Loan Agreement.

(A) Except as provided in Section 6.08(B) or (C), the City shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall

reduce the amount of Loan Repayments to be made to the City or the Bond Trustee by the Corporation pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(B) Notwithstanding the provisions of Section 6.08(A), the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the City without the necessity of obtaining the consent of or any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City or the Corporation contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the City or the Corporation, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the City may deem necessary or desirable and not inconsistent with the Loan Agreement or this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; or

(3) to maintain the exclusion from gross income of interest payable with respect to the Bonds.

(C) Notwithstanding anything contained in this Bond Indenture, the Bond Insurer shall be deemed to be the Holder of the Bonds for purposes of amending, modifying or terminating any term of the Loan Agreement or giving approval or consent to any action under the Loan Agreement.

SECTION 6.09. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Bond Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

SECTION 6.10. Further Assurances. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Bond Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Bond Indenture.

SECTION 6.11. Continuing Disclosure. Pursuant to Section 5.6 of the Loan Agreement, the Corporation has covenanted to comply with and carry out all of the provisions of a disclosure agreement entered into with respect to the Bonds in accordance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule") and to file notices of material events required under the Rule in connection with the execution and delivery of the Loan Agreement. Notwithstanding any other provision of this Bond

Indenture, failure of the Corporation to comply with such disclosure agreement shall not be considered an Event of Default; however, the Bond Trustee may, at the written request of any Participating Underwriter (as defined in the continuing disclosure agreement) or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under Section 5.6 of the Loan Agreement.

SECTION 6.12. Replacement of Obligation No. 1 with Obligation Issued under a Separate Master Indenture. Obligation No. 1 shall be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon receipt by the Bond Trustee of the following:

(1) a Request of the Corporation requesting such surrender and delivery and stating that the Corporation has become a member of an obligated group under a master indenture (other than the Master Indenture) and that an obligation is being issued to the Bond Trustee under such replacement master indenture (the "Replacement Master Indenture");

(2) a properly executed obligation (the "Replacement Obligation") issued under the Replacement Master Indenture and registered in the name of the Bond Trustee with the same tenor and effect as Obligation No. 1 (in a principal amount equal to the principal amount of Bonds then Outstanding), duly authenticated by the master trustee under the Replacement Master Indenture;

(3) an Opinion of Counsel to the effect that the Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Corporation and each other member of the obligated group under the Replacement Master Indenture, subject to such qualifications as are acceptable to the Bond Trustee;

(4) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(5) a certificate of the Master Trustee to the effect that Obligation No. 1 has been cancelled and that each of the Members has withdrawn from the Obligated Group;

(6) evidence from each Rating Agency then rating the Bonds that the rating on the Bonds will be in one of the top three long-term Rating Categories of such Rating Agency upon delivery of such Replacement Obligation; and

(7) written consent of the Bond Insurer (which shall not be unreasonably withheld).

Upon satisfaction of such conditions, all references herein and in the Loan Agreement to Obligation No. 1 shall be deemed to be references to the Replacement Obligation, all references to the Master Indenture shall be deemed to be references to the Replacement Master Indenture, all references to the Master Trustee shall be deemed to be references to the master trustee under the Replacement Master Indenture, all references to the Obligated Group and the Members shall be deemed to be references to the obligated group and the members of the obligated group under the

Replacement Master Indenture and all references to Supplemental Master Indenture for Obligation No. 1 shall be deemed to be references to the supplemental master indenture pursuant to which the Replacement Obligation is issued.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(C) default by the City in the observance of any of the other covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Bond Trustee, or to the City and the Bond Trustee by the Holders of not less than twenty five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(D) default by the City in the observance of its covenants set forth in Section 6.06 hereof, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City; or

(E) a Loan Default Event.

SECTION 7.02. Acceleration of Maturities. Whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(A) In the case of an Event of Default described in Section 7.01 (A) or (B) of this Bond Indenture, the Bond Trustee may notify the Master Trustee of such Event of Default, may make a demand for payment under Obligation No. 1 and request the Master Trustee in writing to give notice to the Members pursuant to Section 4.02 of the Master Indenture declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Upon such declaration by the Master Trustee, the Bond Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under Obligation No. 1;

(B) In the case of an Event of Default described in Section 7.01(C) or 7.01(D) of this Bond Indenture, the Bond Trustee may take whatever action at law or in equity is

necessary or desirable to enforce the performance, observance or compliance by the City with any covenant, condition or agreement by the City under this Bond Indenture; and

(C) In the case of an Event of Default described in Section 7.01(E) of this Bond Indenture, the Bond Trustee may take whatever action the City would be entitled to take, and shall take whatever action the City would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Notwithstanding any other provision of this Bond Indenture or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstance in which an Event of Default has occurred declare the entire unpaid aggregate principal amount of the Bonds Outstanding to be immediately due and payable except in the event that the Master Trustee shall have declared the principal amount of Obligation No. 1 and all interest due thereon immediately due and payable in accordance with the Master Indenture.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City or the Corporation shall deposit with the Bond Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee, and if the Bond Trustee has received notification from the Master Trustee that the declaration of acceleration of Obligation No. 1 has been annulled pursuant to the Master Indenture and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall effect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 12.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Bond Indenture;

(B) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or redemption price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 7.04. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney in fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 1 and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty five per cent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 1 or any law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Bond Indenture, pending such proceedings. All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05. Bondholders' Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds

then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction that in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 1 or any applicable law with respect to such Bond, unless the Holders of 25% in aggregate principal amount of the Bonds then Outstanding shall (1) have requested in writing that the Bond Trustee take such action; (2) have offered the Bond Trustee such reasonable indemnity as it may require against expenses and liabilities to be incurred; (3) the Bond Trustee shall have neglected for 60 days to take such action; and (4) the Bond Trustee shall not have received during such 60-day period directions inconsistent with such written request from the Holder or Holders of a majority in principal amount of the Bonds then Outstanding; provided, however, that the right of any Holder of any Bond to receive payment of the principal thereof and/or interest or premium, if any, thereon when due or to institute suit for the enforcement of any such payment shall not be impaired without the consent of such Holder.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 1 or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of City. Nothing contained in Section 7.06 or in any other provision of this Bond Indenture or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the City, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(A) The City hereby appoints U.S. Bank National Association, as Bond Trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived in accordance herewith), exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) The City may, and upon written request of the Corporation shall, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(C) The Bond Trustee may at any time resign by giving written notice of such resignation to the City and the Corporation, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the City shall promptly appoint, with the consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(D) The Bond Trustee shall not be relieved of its duties hereunder until its successor Bond Trustee has accepted its appointment and assumed the duties of Bond Trustee hereunder. Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the City shall cause such Bond Trustee to mail a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

(E) Any successor Bond Trustee shall be a trust company or bank having the powers of a trust company having (or, in the case of a trust company or bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section

(F) The Bond Insurer shall receive written notice of any resignation or removal of the Bond Trustee and the City shall not appoint (to the extent it has discretion in the matter) any successor Bond Trustee without the prior written consent of the Bond Insurer.

SECTION 8.02. Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond

Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Liability of Bond Trustee.

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Bond Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the legality, validity or sufficiency of this Bond Indenture, the Loan Agreement, Obligation No. 1 or any other document related hereto, or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Bond Trustee or its powers. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, default or misconduct; provided, that this shall not be construed to limit the effect of subsection (F) hereof. The Bond Trustee may become the owner of Bonds with the same rights it would have if it were not Bond Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(B) The Bond Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Bond Trustee was negligent.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee security or indemnity reasonable to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) The Bond Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Bond Indenture unless it shall be proved that the Bond Trustee was negligent.

(F) No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(G) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement, Obligation No. 1 or other documents relating to the issuance

of the Bonds, relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(H) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, requisition, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Bond Trustee, in its discretion and at its expense, may make such further investigation or inquiry into such facts of matters as it may deem fit.

(I) The Bond Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) The Bond Trustee shall not be deemed to have knowledge of an Event of Default hereunder, under the Loan Agreement, Obligation No. 1 or any other document related to the Bonds unless it shall have actual knowledge at its Principal Corporate Trust Office. As used herein, "actual knowledge" shall mean the actual fact or statement of knowing without any independent duty to make any investigation with regard thereto.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, statement, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Bond Trustee acts or refrains from acting, it may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of Persons in whose names Bonds are registered on the books maintained by the Bond Trustee for such purpose, the Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, the Corporation, and any Bondholder, and their agents and representatives duly authorized in writing (if such Bondholder provides to the Bond Trustee thirty (30) days prior written notice and such notice specifies a date upon which such inspection shall occur), during normal business hours and under reasonable conditions.

SECTION 8.06. Performance of Duties. The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it under either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be absolutely protected in relying thereon. The Bond Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01. Amendments Permitted.

(A) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into with the written consent of the Corporation when the written consent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or reduce the rate of interest thereon, or change the method of determining the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, (3) modify any provisions of this Section 9.01 or Section 6.08, or (4) permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(B) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into without the consent of any Bondholders, but with the written consent of the Corporation, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in this Bond Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the City, the Corporation or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of any Tax Certificate and Agreement; or

(5) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

(C) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by this Article or the modifications thereby of the trusts created by this Bond Indenture, the Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Bond Indenture is authorized by and in compliance with this Bond Indenture.

(D) Notwithstanding anything contained in this Bond Indenture, the Bond Insurer shall be deemed to be the Holder of the Bonds for purposes of modifying or amending this Bond Indenture or giving approval or consent to any other action under this Bond Indenture.

SECTION 9.02. Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the City, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may, and if the City so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Principal Corporate Trust Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that

purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the City, to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared by the Bond Trustee at the expense of the Corporation, executed by the City and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Principal Corporate Trust Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Bond Indenture. The Bonds may be paid by the City or the Bond Trustee on behalf of the City in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case at the election of the City (evidenced by a Certificate of the City filed with the Bond Trustee signifying the intention of the City to discharge all such indebtedness and this Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the City under this Bond Indenture (except as otherwise specifically provided herein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the City, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.07. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Trust Estate (as defined in the Existing Indenture) and all covenants, agreements and other obligations of the City to the

Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The City may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bond.

SECTION 10.04. Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, any moneys held by the Bond Trustee in trust for the payment

of the principal of, or interest on, any Bonds and remaining unclaimed for the period which is one year less than the statutory escheat period after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or the period which is one year less than the statutory escheat period after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by this Bond Indenture upon receipt of an indemnification agreement acceptable to the City and the Bond Trustee indemnifying the City and the Bond Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

ARTICLE XI

THE POLICY

SECTION 11.01. Concerning the Policy. So long as (i) the Policy shall be in full force and effect, and (ii) an event of default does not exist under the Policy, and (iii) the action would not impair the rights of the Holders of the Bonds to collect under the Policy and (iv) the Bonds are Outstanding, the City and the Bond Trustee agree to comply with the provisions of this Article XI.

(a) If at least one (1) day prior to an Interest Payment Date the Bond Trustee determines that there will be insufficient funds in the funds and accounts established hereunder to pay the principal or interest on the Bonds on such Interest Payment Date, the Bond Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal and/or interest. If the Bond Trustee has not so notified the Bond Insurer one (1) day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Bonds on or before the first day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Bond Trustee.

(b) The Bond Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the [United States Trust Company of New York], as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Bond Trustee and all records relating to the funds and accounts maintained under this Bond Indenture during business hours and with prior notice.

(c) The Bond Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of Holders of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the Holders of Bonds entitled to receive full or partial principal or payments from the Bond Insurer.

(d) The Bond Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Holders of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of such Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Bond Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Bonds for payment thereon first to the Bond Trustee who shall note on such Bonds the portion of the principal paid by the Bond Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Bond Trustee has actual notice that any payment of principal or interest on a Bond which has become due for payment and which is made to a Holder of Bonds by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Bond Trustee shall, at the time the Bond Insurer is notified, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Holder will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Bond Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal and interest with respect to the Bonds which have been made by the Bond Trustee, and subsequently recovered from Holders of Bonds and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Bond Indenture, the Bond Insurer shall, to the extent it makes payment of principal or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bond Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Bond Trustee upon receipt from the Bond Insurer of proof of the payment of interest on Bonds to the Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Bond Trustee shall note the Bond Insurer's rights as subrogee on the registration records of the City maintained by the Bond Trustee upon surrender of the Bonds by the Holders thereof together with proof of the payment of principal thereon.

SECTION 11.02. Subrogation. In the event that the principal and interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Policy, the assignment and pledge pursuant to Section 5.01 herein and all covenants, agreements and other obligations of the City to the Holders shall continue to exist and the Bond Insurer shall be subrogated to the rights of such Holders. In the event of a payment under the Bond Insurer's policy, the Bond Trustee shall deliver to the Insurance Trustee a document in form and substance acceptable to said Insurance Trustee assigning all rights of the Bond Trustee pursuant to Obligation No. 1 to foregone interest and principal payments to the Bond Insurer, including accrued interest. No payments made by the Bond Insurer for principal and interest on the Bonds shall discharge the City's or Corporation's responsibility with respect to payment of their respective obligations under the Bond Indenture or the Loan Agreement, respectively, in accordance with their terms.

SECTION 11.03. Consent of the Bond Insurer where Holder Consent Required. The Bond Insurer shall be deemed to be the Holder of the Bonds insured by the Bond Insurer: (i) at all times for the purpose of the execution and delivery of a Supplemental Bond Indenture, of any amendment, change or modification of the Loan Agreement or Deed of Trust or the initiation by the Holders of the Bonds of any action to be undertaken by the Bond Trustee at the request of the Holders of the Bonds, which under this Bond Indenture requires the written approval or consent of or can be initiated by the Holders of the Bonds (including, without limitation, (i) the right to vote to accelerate the principal of the Bonds pursuant to Section 7.02, (ii) the right to vote to annul any declaration of acceleration, and (iii) to vote to approve all waivers of all Events of Default), (ii) in the event of any reorganization or liquidation, and (iii) following an Event of Default for all other purposes. In addition, in the event of any action under the Bond Indenture or the Loan Agreement which requires consent of the owners of Bonds, the consent of the Bond Insurer shall also be required. Moreover, neither the City nor the Bond Trustee shall consent to any amendments or supplements to the Loan Agreement, the Master Indenture or the Deed of Trust, in cases in which it has discretion in the matter and except in the case of amendments or supplements providing for the issuance of Additional Bonds or Obligations (as defined in the Master Indenture), without the prior written consent of the Bond Insurer. Copies of all amendments or supplements whether subject to the Bond Insurer's consent or not shall be promptly provided to Standard & Poor's Corporation. Any provision of this Bond Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the right of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

SECTION 11.04. Information; Notices. While the Policy is in effect, the Corporation or the Bond Trustee, as appropriate, shall furnish to the Bond Insurer:

(a) as soon as practicable after the filing thereof, a copy of any financial statement of the Corporation and a copy of any audit or annual report of the Corporation;

(b) such additional information as the Bond Insurer shall reasonably request;

(c) a copy of any notice to be given to the registered Holders of the Bonds, including, without limitation, notice of any redemption of or defeasance of the Bonds, and any certificate rendered pursuant to this Bond Indenture relating to security for the Bonds;

(d) notice of any failure to provide the Bond Insurer of any relevant notices or certificates; and

(e) notice, at any time, if there is insufficient moneys to make any payments of interest or principal as required hereunder and immediately upon the occurrence of any Event of Default.

Notices sent pursuant to clauses (a), (b) or (c) above shall be sent to [Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attn: Surveillance Department; and notices sent pursuant to clauses (d) or (e) above shall be sent to Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attn: General Counsel.]

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. Liability of City Limited to Revenues. Notwithstanding anything in this Bond Indenture or in the Bonds contained, the City shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Bond Indenture for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Bond Indenture.

SECTION 12.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the City or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the City or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 12.03. Limitation of Rights to Parties, Corporation and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the City, the Bond Trustee, the Bond Insurer, the Corporation and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Bond Trustee, the Bond Insurer, the Corporation and the Holders of the Bonds.

SECTION 12.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 12.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the City of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the City.

SECTION 12.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into this Bond Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Bond Indenture may be held illegal, invalid or unenforceable.

SECTION 12.07. Notices. All notices to Bondholders shall be given by telex, telegram, telecopier or other telecommunication device unless otherwise provided herein and, if by a telecommunications device not capable of producing a written notice, confirmed in writing as soon as

practicable. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Principal Corporate Trust Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the City. Any notice to or demand upon the City or the Corporation shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or telecopy or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed, as the case may be, to the City at 25541 Barton Road, Loma Linda, California 92354, Attention: City Clerk or, to the Corporation at 11234 Anderson Street, Loma Linda, California 92354, Attn: Chief Financial Officer (or such other addresses as may have been filed in writing by the City or the Corporation with the Bond Trustee). Any notice to or demand upon the Bond Insurer shall be sent to: [Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attn: Surveillance Department.] Notwithstanding the foregoing provisions of this Section 12.07, the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of any notice, unless and until the Bond Trustee actually receives such notice.

SECTION 12.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Bond Indenture and shall be conclusive in favor of the Bond Trustee and of the City if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the City in accordance therewith or reliance thereon.

SECTION 12.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are owned or held by or for the account of the City, the Corporation or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, but only to the extent the Bond Trustee has actual knowledge of such ownership. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a

person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 12.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust uninvested by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 12.11. Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every holder thereof. Notwithstanding any other provision of this Bond Indenture, the Bond Trustee shall only be required to open any funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

SECTION 12.12. Waiver of Personal Liability. No officer, agent or employee of the City shall be individually or personally liable for the payment of the principal (or Redemption Price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 12.13. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 12.14. Governing Law. This Bond Indenture and the Bonds are contracts made under the laws of the State, and shall be governed by and construed in accordance with the Constitution and the laws applicable to contracts made and performed in said State.

SECTION 12.15. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 12.16. Third Party Beneficiary. To the extent that this Bond Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Bond Indenture, the Bond Insurer is hereby expressly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 12.17. Existing Indenture. Nothing in this Bond Indenture is intended to amend the Existing Indenture in any manner inconsistent with the rights of the City, the Corporation and the Bond Insurer to approve or consent to such amendments. The parties to this Bond Indenture confirm that in the event that any amendment of a provision contained in this Bond Indenture is not permitted under the Existing Indenture, that such relevant provision of the Existing Indenture shall be reinstated and no other amendment contained herein shall be affected thereby

IN WITNESS WHEREOF, the CITY OF LOMA LINDA, CALIFORNIA has caused this Amended and Restated Bond Indenture to be signed in its name by the Mayor of the City, and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by the officer thereunto duly authorized, all as of the day and year first above written.

CITY OF LOMA LINDA, CALIFORNIA

By_____
Mayor

U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee

By_____
Authorized Representative

Ambac Assurance Corporation, as bond insurer with respect to the Bonds, hereby consents to this Amended and Restated Bond Indenture all in accordance with Section 5.03 of the Thirteenth Supplemental Indenture of Trust, dated as of September 1, 1999, between the City and U.S. Bank Trust National Association, as trustee.

By:_____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE REFUNDING BOND
(LOMA LINDA UNIVERSITY MEDICAL CENTER PROJECT)
SERIES 1999-A

REGISTERED NUMBER:	INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP
_____	___%	December 1, 20__	September 1, 1999	_____

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: _____ AND NO/100 DOLLARS

The City of Loma Linda, California (the "City"), a chartered city duly organized and existing under the laws of the State of California, for value received, hereby promises to pay, but solely from the source as hereinafter provided and not otherwise, to the registered owner named above, or registered assigns, upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank Trust National Association, as successor Trustee, or its successor or successors, as Trustee (herein referred to as the "Trustee"), on the first day of December, in the year of maturity set forth above, the principal sum set forth above in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and to pay to the registered holder hereof interest thereon from December 1, 1999, but solely from the source as hereinafter provided and not otherwise, in like coin or currency at the rate per annum set forth above, computed on the basis of a year of twelve 30-day months, payable semiannually on the first days of June and December of each year, commencing December 1, 1999, until payment of such principal sum or, if this Bond or a portion thereof shall be duly called for redemption, until the date fixed for redemption and to pay interest on overdue principal and interest (to the extent legally enforceable) at the rate borne by this Bond. Interest will be paid by check of said Trustee mailed by first-class mail, postage prepaid, to the registered holder in whose name this Bond is registered at the close of business on the fifteenth day of the month preceding such interest payment date.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until this Bond shall have been authenticated by the Trustee by manual execution of the certificate of authentication endorsed hereon.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner, and by the appropriate parties as required by law; and that a sufficient amount of the income and revenues of the

Facility has been pledged to and will be set aside into the special fund established by the City for the prompt payment of the principal of and interest on said Bonds.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Mayor and its corporate seal to be imprinted hereon and to be attested by the facsimile signature of its City Clerk, all as of the 1st day of September, 1999.

[SEAL] **CITY OF LOMA LINDA, CALIFORNIA**

By: (Facsimile)
Mayor

ATTEST:

By: (Facsimile)
City Clerk

This Bond is one of a duly authorized series of Bonds of the City known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1999-A" (the "Series 1999-A Bonds"), in an aggregate principal amount of $109,335,000, issued pursuant to an Indenture of Trust dated as of December 1, 1982 (the "Original Indenture"), as supplemented by the following: the First Supplemental Indenture of Trust dated as of August 1, 1984 (the "First Supplemental Indenture"), the Second Supplemental Indenture of Trust dated as of April 1, 1985 (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust dated as of July 1, 1985 (the "Third Supplemental Indenture"), the Fourth Supplemental Indenture of Trust dated as of October 1, 1985 (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust dated as of October 1, 1985 (the "Fifth Supplemental Indenture"), the Sixth Supplemental Indenture of Trust dated as of December 1, 1985 (the "Sixth Supplemental Indenture"), the Seventh Supplemental Indenture of Trust dated as of February 1, 1989 (the "Seventh Supplemental Indenture"), the Eighth Supplemental Indenture of Trust dated as of July 1, 1989 (the "Eighth Supplemental Indenture"), the Ninth Supplemental Indenture of Trust dated as of December 1, 1990 (the "Ninth Supplemental Indenture"), the Tenth Supplemental Indenture of Trust dated as of April 1, 1992 (the "Tenth Supplemental Indenture"), the Eleventh Supplemental Indenture of Trust dated as of July 1, 1993 (the "Eleventh Supplemental Indenture"), the Twelfth Supplemental Indenture of Trust dated as of September 1, 1993 (the "Twelfth Supplemental Indenture") and the Thirteenth Supplemental Indenture of Trust dated as of September 1, 1999 (the "Thirteenth Supplemental Indenture"), all between the City and the Trustee. The Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture and the Thirteenth Supplemental Indenture are collectively referred to herein as the "Indenture," to which Indenture and all indentures supplemental

thereto reference is hereby made for a description of the Trust Estate (as defined in the Indenture), the nature and extent of the security and a statement of the terms and conditions upon which the Series 1999-A Bonds are issued and secured and the rights of the holders thereof and of the Trustee thereunder. The City has issued fourteen other series of Bonds pursuant to the Indenture, one series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1982" (the "Series 1982 Bonds") (the Series 1982 Bonds are no longer outstanding), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1984-A" (the "Series 1984 A Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1985-A" (the "Series 1985-A Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1985-B" (the "Series 1985-B Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1985-C" (the "Series 1985-C Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1985-D" (the "Series 1985-D Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1985-E" (the "Series 1985-E Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1989-A" (the "Series 1989-A Bonds") (the Series 1989-A Bonds are no longer outstanding), another series known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1989-B", two other series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1990-A and Series 1990-B" (the "Series 1990-A Bonds" and the "Series 1990-B Bonds", respectively), another series known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1992-A" (the "Series 1992-A Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1993-A" (the "Series 1993-A Bonds"), another series known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-B" (the "Series 1993-B Bonds"), and another series issued concurrently with the Series 1993-B Bonds known as "City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1993-C" (the "Series 1993-C Bonds"). The proceeds of the Series 1999-A Bonds will be loaned by the City to Loma Linda University Medical Center (the "Corporation"), a nonprofit religious corporation organized under the laws of the State of California, pursuant to a Project Agreement between the City and the Corporation dated as of December 1, 1982 (the "Original Agreement") as supplemented by the following amendments: the First Amendment to the Project Agreement dated as of August 1, 1984 (the "First Amendment"), the Second Amendment to the Project Agreement dated as of April 1, 1985 (the "Second Amendment"), the Third Amendment to the Project Agreement dated as of July 1, 1985 (the "Third Amendment"), the Fourth Amendment to the Project Agreement dated as of October 1, 1985 (the "Fourth Amendment"), the Fifth Amendment to the Project Agreement dated as of October 1, 1985 (the "Fifth Amendment"), the Sixth Amendment to the Project Agreement dated as of December 1, 1985 (the "Sixth Amendment"), the Seventh Amendment to the Project Agreement dated as of February 1, 1989 (the "Seventh Amendment"), the Eighth Amendment to the Project Agreement dated as of July 1, 1989 (the "Eighth Amendment"), the Ninth Amendment to the Project Agreement dated as of December 1, 1990 (the "Ninth Amendment"), the Tenth Amendment to the Project Agreement dated as of April 1, 1992 (the "Tenth Amendment"), the Eleventh Amendment to the Project Agreement dated as of July 1, 1993 (the "Eleventh Amendment"), the Twelfth Amendment to the Project Agreement dated

as of September 1, 1993 (the "Twelfth Amendment") and the Thirteenth Amendment to the Project Agreement dated as of September 1, 1999 (the "Thirteenth Amendment"). The Original Agreement, the First Amendment, the Second Amendment, the Third Amendment, the Fourth Amendment, the Fifth Amendment, the Sixth Amendment, the Seventh Amendment, the Eighth Amendment, the Ninth Amendment, the Tenth Amendment, the Eleventh Amendment, the Twelfth Amendment and the Thirteenth Amendment are collectively referred to herein as the "Agreement." The Corporation operates a teaching and research hospital in the City. The Corporation's existing hospital facilities together with any Additional Facilities, as defined in the Agreement, are referred to in this Bond as the Facility. The net proceeds from the sale of the Series 1999-A Bonds and the loan to the Corporation will be used to defease the City's Series 1989-B Bonds, to fund an additional deposit to the Debt Service Reserve Account, if necessary, and to pay costs and expenses of issuing the Series 1999-A Bonds. The Series 1999-A Bonds are issued under the Indenture and are equally and ratably secured under the Indenture, except as provided in the Agreement and the Indenture, with the Series 1990-A Bonds, the Series 1990-B Bonds, the Series 1992-A Bonds, the Series 1993-A Bonds, the Series 1993-B Bonds and the Series 1993-C Bonds and Alternative Indebtedness consisting of the City of Redlands, California Certificates of Participation (Loma Linda University Medical Center Project) Series 1990-C and the City of Redlands, California Refunding Certificates of Participation (Loma Linda University Medical Center Project) Series 1993-D and other Alternative Indebtedness, as described in the Indenture. As provided in the Indenture, bonds of other series ranking equally in security with the Series 1990-A Bonds, the Series 1990-B Bonds, the Series 1992-A Bonds, the Series 1993-A Bonds, the Series 1993-B Bonds, the Series 1993-C Bonds and the Series 1999-A Bonds may be issued and such bonds may vary in such manner as is provided and permitted by the Indenture. All bonds from time to time outstanding under the Indenture are hereinafter referred to as the "Bonds." In addition, it is provided in the Indenture and the Agreement that the Corporation may hereafter incur additional Alternative Indebtedness, as defined in the Indenture, and if incurred, such Alternative Indebtedness will rank on a parity of security with the Bonds as provided in the Indenture.

This Bond is issued in full compliance with the Constitution and laws of the State of California, including particularly the Charter and ordinances of the City of Loma Linda, California. Under the terms of the Agreement, the Corporation is required to make payments sufficient to pay principal of, premium, if any, and interest on the Bonds as and when the same become due and payable, which payments shall be set aside as special funds pledged for that purpose identified in the Indenture. The City's obligation to make payments on the Bonds and the Corporation's obligations under the Agreement will be secured by a Deed of Trust dated as of December 1, 1982, a First Amendment to the Deed of Trust dated as of August 1, 1984, a Second Amendment to the Deed of Trust dated as of April 1, 1985, a Third Amendment to the Deed of Trust dated as of July 1, 1985, a Fourth Amendment to the Deed of Trust dated as of October 1, 1985, a Fifth Amendment to the Deed of Trust dated as of October 1, 1985, a Sixth Amendment to the Deed of Trust dated as of December 1, 1985, a Seventh Amendment to the Deed of Trust dated as of February 1, 1989, a 1989-II Amendment to the Deed of Trust dated as of March 1, 1989, an Eighth Amendment to the Deed of Trust dated as of July 1, 1989, a Ninth Amendment to the Deed of Trust dated as of December 1, 1990, a 1991-I Amendment to the Deed of Trust dated as of January 15, 1991, a 1991 Amendment to the Deed of Trust dated as of November 1, 1991, a 1992 Amendment to the Deed of Trust dated as of February 1, 1992, a Tenth Amendment to the Deed of Trust dated as of April 1, 1992, an Eleventh Amendment to the Deed of Trust dated as of July 1, 1993, a Twelfth Amendment to the Deed of Trust dated as of September 1, 1993, and a Thirteenth Amendment to the Deed of Trust dated as of September 1, 1999 (collectively, the "Deed of Trust"), between the Corporation, the Trustee and

other secured parties, whereby the Corporation grants to the Trustee a mortgage on the real property comprising the Facility and a security interest in the Gross Receivables of the Corporation.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY. NO COVENANT OR AGREEMENT IN THIS BOND OR IN THE INDENTURE AND NO OBLIGATION HEREIN OR THEREIN IMPOSED UPON THE CITY AND NO BREACH THEREOF SHALL CONSTITUTE OR GIVE RISE TO OR IMPOSE UPON THE CITY A GENERAL LIABILITY OR A CHARGE UPON ITS GENERAL CREDIT OR PROPERTY OTHER THAN THE TRUST ESTATE (AS DEFINED IN THE INDENTURE). NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THIS BOND, NOR IS THE CITY IN ANY MANNER OBLIGATED TO MAKE ANY APPROPRIATION FOR PAYMENT.

Principal of, premium, if any, and interest on the Bonds shall be payable solely from the revenues and other payments pledged to the Trustee as part of the Trust Estate, including payments received or receivable by the City under the Agreement, all other moneys received or receivable by the City under the Agreement and the Deed of Trust, certain proceeds of the Bonds and the income derived from the temporary investment thereof, and under certain circumstances, the net proceeds of insurance or condemnation awards. The Bonds shall be secured solely by the Trust Estate, including a pledge of the revenues and other payments received or receivable by the City under the Agreement, and by the Deed of Trust, which is subject to certain Permitted Encumbrances (as defined in the Indenture).

As provided in, and to the extent permitted by, the Indenture or any indenture supplemental thereto, the rights and obligations of the City and of the holders of the Bonds may be modified by the City with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that no such modification shall effect the reduction of or the extension of the stated time of payment of the principal hereof, premium, if any, hereon, or of the interest hereon, or permit the creation of any lien on the Trust Estate prior to or on a parity with the lien of the Indenture, or deprive the holder hereof of the lien created by the Indenture on the Trust Estate without the consent of the holder hereof, except as otherwise provided in the Indenture or the Agreement.

The Series 1999-A Bonds will not be subject to redemption at the option of the City or the Corporation, in whole or in part, prior to maturity.

The Bonds are redeemable upon damage to or condemnation of the Facility, or in certain events if the Agreement has become void or unenforceable, or if certain excessive liabilities have been imposed upon the Corporation, all as provided in the Indenture and the Agreement, either as a whole at any time or in part on any interest payment date in inverse order of their maturities (less than all of the Bonds of a single maturity to be selected by lot by the Trustee), at a redemption price of 100% of the principal amount of the Bonds to be redeemed and accrued interest thereon to the date fixed for redemption.

Notice of redemption identifying the Bonds to be redeemed shall be given by the Trustee by first-class mail, postage prepaid, to all registered owners of Bonds to be redeemed (provided, however, that failure to mail an appropriate notice or any defect in such notice shall not affect the validity of the proceedings for redemption of any other Bond). All such Bonds thus called for

redemption and for the retirement of which funds are duly provided in accordance with the Indenture prior to the date fixed for redemption will cease to bear interest on and after such redemption date.

The principal hereof may be declared or may become due on the conditions and in the manner and at the time set forth in the Indenture upon the occurrence of an event of default as provided in the Indenture.

No Bondholder shall have any right to bring any action or otherwise to enforce any provision of the Indenture unless the holders of 25% in aggregate principal amount of the Bonds and Alternative Indebtedness then outstanding shall (i) have in writing requested the Trustee to take such action; (ii) have offered the Trustee such reasonable indemnity as it may require against expenses and liabilities to be incurred; (iii) the Trustee shall have neglected for 60 days to take such action; and (iv) the Trustee shall not have received during such 60-day period directions inconsistent with such written request from the holder or holders of a majority in principal amount of the Bonds and Alternative Indebtedness then outstanding; provided, however, that the right of any holder of any Bond to receive payment of the principal thereof and/or interest or premium, if any, thereon when due or to institute suit for the enforcement of any such payment shall not be impaired without the consent of such holder.

This Bond is transferable by the registered holder hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds of the same series and the same maturity, of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor.

The Trustee shall not be required to register the transfer or exchange of any Bond within fifteen (15) days prior to selection of Bonds for redemption or any Bond selected for redemption.

The City and the Trustee may deem and treat the registered holder hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and premium, if any, hereon and interest due hereon and for all other purposes, and neither the City nor the Trustee nor any paying agent shall be affected by any notice to the contrary.

The Series 1999-A Bonds are issuable as fully registered Bonds in denominations of $5,000, and any integral multiple thereof.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture, or in any Bond thereby secured, or under any judgment obtained against the City or by the enforcement of any assessment or by any legal or equitable proceedings by virtue of any constitution or statute or otherwise or under any circumstances, under or independent of the Indenture, shall be had against any member or officer, as such, past, present or future, of the City, either directly or through the City or otherwise, for the payment for or to the City or for or to the holder of any Bond issued thereunder or otherwise, of any sum that may be due and unpaid by the City upon any such Bond.

Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such member or officer, as such, to respond by reason of any act or omission on his part or otherwise for the payment for or to the City or for or to the

holder of any Bond issued under the Indenture, of any sum that may remain due and unpaid upon the Bonds thereby secured or any of them, is hereby expressly waived and released as a condition of and consideration for the adoption of the Indenture and the issuance of the Bonds.

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION]

This is to certify that this Bond is one of the Hospital Revenue Refunding Bonds referred to in the within Bond and in the Indenture pursuant to which this Bond is issued.

Dated: _____

U.S. BANK TRUST NATIONAL ASSOCIATION, as Trustee

By: _____
Authorized Signatory

[FORM OF STATEMENT OF INSURANCE]

Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation. The Policy has been delivered to the United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance Corporation or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance Corporation as more fully set forth in the Policy.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

_____

_____

_____

(Please print or typewrite name, address and federal tax identification number of transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

_____

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

_____

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

LIST OF FACILITIES

Facilities Name & Address
Loma Linda University Medical Center,
11134 Anderson Street
Loma Linda, California 92350

Stradling Yocca Carlson & Rauth
Draft of 9/1/05

CITY OF LOMA LINDA, CALIFORNIA

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

AMENDED AND RESTATED PROJECT AGREEMENT

Dated as of September 1, 1999
As amended and restated October 1, 2005

Relating to

$_____
CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE REFUNDING BONDS
(LOMA LINDA UNIVERSITY MEDICAL CENTER)
SERIES 1999-A

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AMENDED AND RESTATED PROJECT AGREEMENT

THIS AMENDED AND RESTATED PROJECT AGREEMENT, dated as of September 1, 1999 (the "Loan Agreement"), as amended and restated October 1, 2005, between the CITY OF LOMA LINDA, CALIFORNIA, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation duly organized and existing under the laws of the State of California (the "Corporation");

W I T N E S S E T H:

WHEREAS, the City has previously issued its Hospital Revenue Refunding Bonds (Loma Linda University Medical Center), Series 1999-A (the "1999 Bonds") pursuant to an Indenture of Trust, dated as of December 1, 1982, between the City and U.S. Bank National Association, as successor trustee (as amended to the date hereof, the "Existing Indenture");

WHEREAS, the 1999 Bonds are the only Bonds (as such term is defined in the Existing Indenture) remaining outstanding under the Existing Indenture;

WHEREAS, the 1999 Bonds are secured by payments under a Project Agreement, dated as of December 1, 1982, by and between the Corporation and the City (as amended to the date hereof, the "Existing Agreement") including payments under a Note (the "1999-A Note") issued under a Thirteenth Amendment to the Project Agreement, dated as of September 1, 1999 (as amended to the date hereof, the "Thirteenth Amendment to Project Agreement");

WHEREAS, pursuant to a Master Indenture of Trust, dated as of October 1, 2005 (the "Master Indenture"), among the Corporation, each Member (as defined therein) and U.S. Bank National Association, as master trustee (the "Master Trustee"), and a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2005, between the Corporation and the Master Trustee, the Corporation proposes to issue Obligation No. 1 to substitute for the 1999-A Note as security for the 1999 Bonds and has requested that the Existing Agreement and the Existing Indenture be amended and restated in connection therewith;

WHEREAS, pursuant to Section 5.03 of the Thirteenth Supplemental Indenture of Trust, dated as of September 1, 1999, between the City and U.S. Bank National Association, as trustee (the "Thirteenth Supplemental Indenture of Trust"), Ambac Assurance Corporation, as bond insurer, is deemed the owner of the 1999 Bonds for purposes of the execution and delivery of a supplemental indenture or any amendment, change or modification of the Existing Agreement, and has approved this Loan Agreement and substitution of Obligation No. 1 for the 1999-A Note;

WHEREAS, the City and the Corporation have each duly authorized the execution, delivery and performance of this Loan Agreement; and

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1. Definitions. Unless the context otherwise requires, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Amended and Restated Bond Indenture, dated as of September 1, 1999, as amended and restated October 1, 2005, between the City and U.S. Bank National Association, as trustee, as originally executed and as amended or supplemented from time to time (the "Bond Indenture").

Section 1.2. Interpretation. (a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3. Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include the requirements set forth in Section 1.02 of the Bond Indenture.

ARTICLE II

FINDINGS OF THE CITY; REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 2.1. Findings by the City. The City hereby finds and determines that the City is authorized by Section 302 of the City Charter and Ordinance 271 of the City to issue revenue bonds to finance or refinance hospital and healthcare facilities.

Section 2.2. Representations and Warranties of the Corporation. The Corporation represents and warrants to the City that, as of the date of execution of this Loan Agreement (such representations and warranties to remain operative and in full force and effect regardless of any investigations by or on behalf of the City or the results thereof):

(a) The Corporation is a nonprofit religious corporation duly incorporated and in good standing under the laws of the State of California, is a health facility as provided in Section 3.20.070 of Ordinance 271 of the City, has full legal right, power and authority to enter into and execute this Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1, and to carry out and consummate all transactions contemplated hereby and thereby.

(b) The officers of the Corporation executing this Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1 are duly and properly in office and fully authorized to execute the same.

(c) This Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1 have been duly authorized, executed and delivered by the Corporation.

(d) This Loan Agreement and Obligation No. 1, when assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding agreements of the Corporation with the Bond Trustee enforceable against the Corporation in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the City and obligations of the Corporation under the Loan Agreement not so assigned to the Bond Trustee and the Master Indenture and Supplement No. 1 constitute the legal, valid, and binding agreements of the Corporation, enforceable against the Corporation in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent, conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of this Loan Agreement, the Master Indenture, Supplement No. 1 and Obligation No. 1, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Corporation, its bylaws or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties or the Facility are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, Obligation No. 1, the Master Indenture or Supplement No. 1 or the financial condition, assets, properties or operations of the Obligated Group.

(f) No consent or approval of any trustee or holder of any indebtedness of the Corporation and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Loan Agreement, Obligation No. 1, the Master Indenture or Supplement No. 1 or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement, Obligation No. 1, the Master Indenture or Supplement No. 1 or upon the financial condition, assets, properties or operations of the Obligated

Group, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, Obligation No. 1, the Master Indenture or Supplement No. 1 or the financial condition, assets, properties or operations of the Obligated Group. All tax returns (federal, state and local) required to be filed by or on behalf of the Corporation have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Corporation in good faith, have been paid or adequate reserves have been made for the payment thereof. The Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating the Facility.

(h) No written information, exhibit or report furnished to the City by the Corporation in connection with the negotiation of this Loan Agreement, Obligation No. 1, the Master Indenture or Supplement No. 1 contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) The Corporation is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, and is not a private foundation as described in Section 509(a) of the Code.

(j) With respect to the Facility, (i) no patient will be required to attend any religious services or participate in any religious ceremonies or other religious activities; (ii) no decisions as to the admission of any patient or prospective patient seeking medical care will be made on the basis of religious affiliation; (iii) with respect to the Corporation, no decision as to the employment of personnel will be made on the basis of religious affiliation in violation of applicable state and federal laws, rules and regulations, and (iv) no statement of faith is or will be required of employees of the Corporation; provided, that for purposes of this clause (iv), officers and directors of the Corporation shall not be considered employees. The Corporation further agrees that it will not use the Facility or any substantial part thereof primarily for sectarian instruction or primarily as a place of religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity. It is acknowledged that the Corporation is operating the Facility and shall continue to operate the Facility in accordance with the principles stated in its Articles of Incorporation and Bylaws, as amended from time to time, and nothing herein shall prohibit the use of the Facility for the training of religious and other personnel in health care and related pursuits and vocations and the providing of health care to the general public according to such principles.

(k) The Corporation complies in all material respects with all applicable Environmental Regulation.

(l) Neither the Corporation nor the Facility are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by an Environmental Regulation referred to in (k) above or to respond to a release of any Hazardous Substances into the environment.

(m) The Corporation does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

ARTICLE III

ISSUANCE OF BONDS AND OBLIGATION NO. 1; LOAN OF PROCEEDS

Section 3.1. The Bonds. Pursuant to the Existing Indenture, the City authorized the issuance of the 1999 Bonds in the aggregate principal amount of One Hundred Nine Million Three Hundred Thirty Five Thousand Dollars ($109,335,000) of which Seventy Eight Million Four Hundred Forty Thousand Dollars ($78,440,000) are currently outstanding. The City loaned and advanced to the Corporation, and the Corporation borrowed and accepted from the City, the proceeds of the Bonds and applied such proceeds to the refunding of certain outstanding bonds as described in the Thirteenth Supplemental Indenture of Trust. The Corporation approved the Existing Indenture and the issuance of the Bonds thereunder by the City and hereby approves the Bond Indenture and the assignment thereunder to the Bond Trustee of the right, title and interest of the City in this Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the City and (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 or 6.5).

Section 3.2. Issuance of Obligation No. 1. In consideration of this Loan Agreement, the Corporation agrees to issue, and to cause to be authenticated and delivered to the Trustee, pursuant to the Master Indenture and Supplement No. 1, concurrently with the execution and delivery of this Loan Agreement, Obligation No. 1 in substantially the form set forth in Section 11 of Supplement No. 1 in substitution for the 1999-A Note. The City agrees that Obligation No. 1 shall be registered in the name of the Bond Trustee. The Corporation agrees that the aggregate principal amount of Obligation No. 1 shall be limited to Seventy Eight Million Four Hundred Forty Thousand Dollars ($78,440,000), except for any Obligation No. 1 authenticated and delivered in lieu of another Obligation No. 1 as provided in Section 7 of Supplement No. 1 with respect to the mutilation, destruction, loss or theft of Obligation No. 1 or, subject to the provisions of Section 3.3 hereof, upon transfer of registration of Obligation No. 1. The execution and delivery of this Loan Agreement by the City shall be a condition of the issuance and delivery of Obligation No. 1.

Section 3.3. Restrictions on Number and Transfer of Obligation No. 1. (a) The Corporation agrees that, except as provided in subsection (b) of this Section, so long as any of the Bonds remain Outstanding, Obligation No. 1 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 1 shall be registered under the Master Indenture or be recognized by the Corporation except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Obligations Outstanding (within the meaning of that term as used in the Master Indenture) being declared immediately due and payable, Obligation No. 1 may be transferred if and to the extent that the Bond Trustee requests that the restrictions on transfers set out in subsection (a) of this Section be terminated.

ARTICLE IV

PAYMENTS

Section 4.1. Payments of Principal, Premium and Interest. (a) In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, prior to February 25, May 25, August 25 and November 25 (commencing November 25, 2005) and as long as any of the Bonds

remain Outstanding, it shall pay to the Bond Trustee for deposit in the Bond Fund such amount as is required by the Bond Trustee to make the transfers and deposits required on or before the twenty-fifth (25th) day of such months by Section 5.02 of the Bond Indenture. Notwithstanding the foregoing, if on any Interest Payment Date or Principal Payment Date, the aggregate amount in the Bond Fund (other than the Debt Service Reserve Account) is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Corporation shall forthwith pay the amount of any such deficiency to the Bond Trustee. Each payment by the Corporation to the Bond Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Bond Trustee at the Principal Corporate Trust Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Corporation to the City shall be paid to the Bond Trustee as assignee of the City and this Loan Agreement and all right, title and interest of the City in any such payments are assigned and pledged to the Bond Trustee pursuant to the Bond Indenture so long as any Bonds remain Outstanding.

Section 4.2. Additional Payments. In addition to the Loan Repayments, the Corporation shall also pay to the City or to the Bond Trustee, as the case may be, "Additional Payments," as follows:

(a) all taxes and assessments of any type or character charged to the City or to the Bond Trustee affecting the amount available to the City or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the City or the Bond Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the City or the Bond Trustee;

(b) all reasonable fees and expenses of the Bond Trustee for services rendered under the Bond Indenture, as and when the same become due and payable;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, Obligation No. 1 or the Bond Indenture; and

(d) the reasonable fees and expenses of the City in connection with this Loan Agreement, Obligation No. 1, Supplement No. 1, the Master Indenture, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation which may at any time be instituted involving this Loan Agreement, Obligation No. 1, Supplement No. 1, the Master Indenture, the Bonds or the Bond Indenture or any of the other documents

contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement, Supplement No. 1, the Master Indenture, or Obligation No. 1.

Such Additional Payments shall be billed to the Corporation by the City or the Bond Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the City or the Bond Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation.

Section 4.3. Credits for Payments. The Corporation shall receive credit against its payments required to be made under Section 4.1, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys deposited in the Interest Account, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys deposited in the Principal Account, to the extent such amounts have not previously been credited against such payments;

(c) on installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by Section 10.03 of the Bond Indenture) in cash or Investment Securities are on deposit as provided in Section 10.03 of the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal, premium, if any, and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due at maturity; and

(d) on installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Section 4.4. Prepayment. The Corporation shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments in accordance with Section 4.01(A) of the Bond Indenture and the City agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Special Redemption Account of the Redemption Fund and, at the request of and as determined by the Corporation, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for

cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and in the case of Bonds shall be allocated as set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Corporation shall not be relieved of its obligations hereunder.

Section 4.5. Obligations Unconditional. The obligations of the Corporation hereunder, are absolute and unconditional, notwithstanding any other provision of this Loan Agreement, Supplement No. 1, Obligation No. 1, the Master Indenture or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, the Corporation:

(a) shall pay all amounts required hereunder without abatement, deduction or setoff except as otherwise expressly provided in this Loan Agreement;

(b) shall not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(c) shall perform and observe all its other agreements contained in this Loan Agreement; and

(d) except as provided herein, shall not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facility or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either thereof or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section shall be construed to release the City from the performance of any of the agreements on its part herein contained; and in the event the City should fail to perform any such agreement on its part, the Corporation may institute such action against the City as the Corporation may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the City or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the City or by the Bond Trustee to the Corporation.

ARTICLE V

PARTICULAR COVENANTS

Section 5.1. Prohibited Uses. No portion of the proceeds of the Bonds were or will be used to finance any facility, place or building used or to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; or (2) by a Person that is not an organization described in Section 501(c)(3) of the Code or by a 501(c)(3) organization, including the Corporation, in an unrelated trade or business, in such manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 5.2. Nonliability of the City. The City shall not be obligated to pay the principal of or premium, if any, and interest on the Bonds, except from payments received hereunder, under Obligation No. 1 and other Revenues. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the City or any Member, is pledged to the payment of the principal of, premium or interest on the Bonds. The City shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, Obligation No. 1, the Bonds or the Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Loan Agreement or from the Members under Obligation No. 1.

The Corporation hereby acknowledges that the City's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation hereunder and pursuant to Obligation No. 1 and other Revenues, together with amounts on deposit in, and investment income on, certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if the payments to be made hereunder and under Obligation No. 1 shall ever prove insufficient to pay all principal (or Redemption Price) of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Master Trustee, the Corporation, the Members, the City or any third party, subject to any right of reimbursement therefor from the Bond Trustee, the City or any such third party, as the case may be.

Section 5.3. Expenses. The Corporation covenants and agrees to pay and to indemnify the City and the Bond Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with this Loan Agreement, Obligation No. 1, Supplement No. 1, the Master Indenture, the Bonds or the Bond Indenture or the transactions contemplated hereby or thereby. These obligations and those in Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement or the Bond Indenture.

Section 5.4. Indemnification. (a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the City, the Bond Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject or under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Bond Indenture, this Loan Agreement, Obligation No. 1, Supplement No. 1, the Master Indenture or the Tax Certificate and Agreement or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation, any Member or any agents, contractors, servants, employees or licensees of any of them in connection with the Facility, the

operation of the Facility, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Facility or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the City and the Bond Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the City or the Bond Trustee in respect of any portion of the Facility;

(iv) any violation of any Environmental Regulation with respect to, or the release of any Hazardous Substances from, the Facility or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for or relating to the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for or relating to the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes;

(viii) the Bond Trustee's acceptance or administration of the trust of the Bond Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except, (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the City or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Corporation, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any Persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 4.2, 5.3, 5.4 and 6.5 shall survive the final payment or defeasance of the Bonds and, in the case of the Bond Trustee, any resignation or removal. The provisions of this Section shall also survive the termination of this Loan Agreement.

Section 5.5. Tax Covenant. The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law and this Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Corporation agrees to comply with the provisions of the Tax Certificate and Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.6. Continuing Disclosure. The Corporation hereby covenants and agrees to comply with and carry out all of the provisions of a disclosure agreement entered into with respect to the Bonds in accordance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule") and to file any notices of material events required under the Rule in connection with the execution and delivery of this Loan Agreement. Notwithstanding any other provision of this Loan Agreement or the Bond Indenture, failure of the Corporation to comply with such disclosure agreement shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may, and, at the request of any Participating Underwriter (as defined in the continuing disclosure agreement) or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.6.

Section 5.7. Waiver of Personal Liability. No member, officer, agent or employee of the City or any member, director, officer, agent or employee of the Corporation or any other Member shall be individually or personally liable for the payment of any principal of or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default. Each of the following events shall constitute and be referred to herein as a "Loan Default Event":

(a) Failure by the Corporation to pay in full any Loan Repayment on or before the day on which such Loan Repayment is due and payable;

(b) Failure of the Corporation to pay any other payment required hereunder, including without limitation Additional Payments, when due and payable;

(c) Failure of the Corporation to make any required deposit to the Debt Service Reserve Account in accordance with Section 4.1 hereof;

(d) If any material representation or warranty made by the Corporation herein or made by the Corporation in any document, instrument or certificate furnished to the Bond Trustee or the City in connection with the issuance of Obligation No. 1 or the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(e) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) - (d) of this Section, or shall breach any warranty by the Corporation herein contained, for a period of thirty (30) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the City or the Bond Trustee; provided, however, that, if such default shall continue for 30 days after the giving of such written notice, if the Corporation, the General Conference or the University undertake to cure such default but are unable to cure within such 30-day period, the time for cure shall be extended if cure is diligently being pursued; provided further, that the Corporation, the General Conference and the University shall not be deemed to then be taking diligent action to remedy said default unless either (1) such default may be remedied but not within such 30-day period and all action reasonably possible within such 30-day period has been taken to remedy such default and the default is remedied within 120 days after the giving of the written notice or (2) the Corporation, the General Conference or the University shall then be taking diligent action to remedy said default and the Bond Insurer agrees in writing within 120 days after the giving of written notice that such action is being taken in a diligent and satisfactory manner.

(f) Any Event of Default as defined in and under the Bond Indenture; or

(g) Any Event of Default in and under the Master Indenture.

Upon having actual notice of the existence of a Loan Default Event, the Bond Trustee shall serve written notice thereof upon the Corporation and the Obligated Group Representative. As used herein, the term "actual knowledge" means the actual fact or statement of knowing without any duty to make any investigation with regard thereto.

Section 6.2. Remedies in General. Upon the occurrence and during the continuance of any Loan Default Event, the Bond Trustee on behalf of the City, at the Bond Trustee's option but subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Corporation hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Corporation's performance hereunder;

(b) By written notice to the Corporation declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation hereunder.

Notwithstanding any other provision of this Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due hereunder to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of Obligation No. 1 and all interest thereon immediately due and payable in accordance with Section 4.02 of the Master Indenture.

Section 6.3. Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case, the City, the Bond Trustee and the Corporation shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the City and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4. Remedies Cumulative. No remedy conferred upon or reserved to the City or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the City or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5. Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the City or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation shall, on demand, reimburse the City or the Bond Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 6.6. Notice of Default. As soon as is practicable and in any event within ten (10) days after the Corporation has actual knowledge of the occurrence of any event which is a Loan Default Event, the Corporation shall furnish the Bond Trustee, the City and the Obligated Group Representative notice of such event to the extent it has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Corporation proposes to take with respect thereto.

Section 6.7. Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond

Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on Obligation No. 1.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Amendments and Supplements; Waivers; Amendment of Bond Indenture. This Loan Agreement may be amended, changed or modified only as provided in Section 6.08 of the Bond Indenture.

Section 7.2. Time of the Essence; Nonbusiness Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day which is not a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the City and the Corporation and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4. Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 7.5. Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any Person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 7.6. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first-class mail, postage prepaid and addressed as follows:

If to the Corporation or the Obligated Group Representative:

Loma Linda University Medical Center
11234 Anderson Street
P.O. Box 728
Loma Linda, California 92354
Attention: Chief Financial Officer
Fax: (909) 558-7929

If to the General Conference:

General Conference of Seventh-Day Adventists
12501 Old Columbia Pike
Silver Spring, MD 20904-6600
Attention: Robert Lemmon, Treasurer

With a copy to:

General Conference of Seventh-Day Adventists
12501 Old Columbia Pike
Silver Spring, MD 20904-6600
Attention: Robert Kyte, General Counsel

If to the University:

Loma Linda University Adventist Health Sciences Center
11175 Campus Street
Loma Linda, California 92354
Attention: Kevin Lang, Chief Financial Officer

With a copy to:

Office of the General Counsel
Loma Linda University Adventist Health Sciences Center
11234 Anderson Street
Loma Linda, California 92354
Attention: Kent Hansen, General Counsel

If to the City:

City of Loma Linda
25541 Barton Road
Loma Linda, CA 92354
Attention: City Clerk
Fax: (909) 799-2890

If to the Bond Trustee:

U.S. Bank National Association
633 West Fifth Street
24th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Department
Fax: _____

Notwithstanding the foregoing provisions of this Section 7.6(a), the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Bond Trustee actually receives such notice.

(b) The Corporation, the City, the Bond Trustee and the Obligated Group Representative may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7. Waiver of Personal Liability. No member, officer, agent or employee of the City or any director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal (or Redemption Price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 7.8. Limited Liability. The Corporation and the City intend and agree that no organizations sponsored by the Corporation or with whom it is affiliated in any manner, including without limitation the Loma Linda University, have any involvement herein, financial or otherwise, or have any liability to fulfill any of the terms or conditions hereof.

Section 7.9. Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all payments required hereunder have been made.

Section 7.10. Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 7.11. Governing Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed in said State.

Section 7.12. Existing Agreement. Nothing in this Loan Agreement is intended to amend the Existing Agreement in any manner inconsistent with the rights of the City, the Corporation and the Bond Insurer to approve or consent to such amendments. The parties to this Loan Agreement confirm that in the event that any amendment of a provision contained in this Loan Agreement is not permitted under the Existing Agreement, that such relevant provision of the Existing Agreement shall be reinstated and no other amendment contained herein shall be affected thereby

IN WITNESS WHEREOF, the City and the Corporation have caused this Amended and Restated Project Agreement to be executed in their respective names as of the date first written above.

CITY OF LOMA LINDA, CALIFORNIA

By:_____
Mayor

LOMA LINDA UNIVERSITY MEDICAL CENTER

By:_____
Authorized Officer

Ambac Assurance Corporation, as bond insurer with respect to the Bonds, hereby consents to this Amended and Restated Project Agreement and the substitution of Obligation No. 1 for the 1999-A Note all in accordance with Section 5.03 of the Thirteenth Supplemental Indenture of Trust, dated as of September 1, 1999, between the City and U.S. Bank National Association, as trustee.

By:_____
Authorized Officer

Approved and Agreed to:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

Stradling Yocca Carlson & Rauth
Draft of 9/2/05

CITY OF LOMA LINDA, CALIFORNIA

and

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

BOND INDENTURE

Dated as of October 1, 2005

$_____

CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE BONDS
(LOMA LINDA UNIVERSITY MEDICAL CENTER),
SERIES 2005A

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This BOND INDENTURE, made and entered into as of October 1, 2005, by and between the CITY OF LOMA LINDA, CALIFORNIA, a charter city duly organized and existing under the Constitution and laws of the State of California (the "City"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Bond Trustee");

W I T N E S S E T H:

WHEREAS, the Corporation intends to undertake the seismic retrofitting and upgrading of its medical center located in the City (the "Facility") and to incur certain other capital costs at the Facility; and

WHEREAS, the City, on behalf of the Corporation, has previously issued its (a) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1992-A; (b) City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A; (c) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-B; and (d) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-C (collectively, the "Prior Bonds"); and

WHEREAS, the Corporation has requested the assistance of the City in financing the seismic retrofitting and upgrading of the Facility (the "Project") and in the refunding of the Prior Bonds; and

WHEREAS, the City has authorized the issuance of its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds") pursuant to this Bond Indenture, in an aggregate principal amount of _____ million _____ thousand dollars ($_____) to finance a portion of the Project and to refund the Prior Bonds; and

WHEREAS, pursuant to a Master Indenture of Trust, dated as of October 1, 2005 (the "Master Indenture"), among the Corporation, each Member (as defined therein) and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States, as master trustee (the "Master Trustee"), and a Supplemental Master Indenture for Obligation No. 2, dated as of October 1, 2005, between the Corporation and the Master Trustee, the Corporation has issued its Obligation No. 2 to evidence the obligation of the Members to make payments sufficient to pay the principal of and interest on the Bonds; and

WHEREAS, the City has undertaken to finance the Project and refund the Prior Bonds by loaning the proceeds derived from the sale of the Bonds to the Corporation pursuant to the Loan Agreement (as defined herein) between the City and the Corporation, under which the Corporation is required to make loan payments sufficient to pay when due the principal of and premium, if any, and interest on the Bonds and related expenses; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, the City has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the Bonds, and the Bond Trustee's certificate of authentication and assignment to appear thereon, shall be in substantially the form set forth in Exhibit A with necessary or appropriate variations, omissions and insertions, as permitted or required by this Bond Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Bond Trustee and duly issued, the valid, binding and legal limited obligations of the City, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Bond Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest on all Bonds at any time issued and outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree with the Bond Trustee, for the benefit of the respective Holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

Additional Payments

"Additional Payments" means the payments so designated and required to be made by the Corporation pursuant to Section 4.2 of the Loan Agreement.

Administrative Fees and Expenses

"Administrative Fees and Expenses" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the City or the Bond Trustee.

Authorized Representative

"Authorized Representative" means with respect to the Corporation or any Member, the chairman or president of its Governing Board, its chief executive officer or its chief financial officer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

Beneficial Owner

"Beneficial Owner" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

Bond Counsel

"Bond Counsel" means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the City.

Bond Indenture

"Bond Indenture" means this Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

Bond Trustee

"Bond Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor as provided in Section 8.01, as Bond Trustee hereunder.

Bond Year

"Bond Year" means the period of twelve consecutive months ending on December 1 in any year in which Bonds are Outstanding.

Bonds

"Bonds" means the City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

Business Day

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, the State of New York or in any state in which the office of the Master Trustee or the Bond Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

Certificate, Statement, Request, Requisition or Order of the City or the Corporation

"Certificate," "Statement," "Request," "Requisition" and "Order" of the City or the Corporation, mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by any person as may be designated and authorized to sign for the City in writing to the Bond Trustee, or in the name of the Corporation by an Authorized Representative of the Corporation. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the

extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

City

"City" means the City of Loma Linda, California, and its successors or assigns.

Code

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

Corporation

"Corporation" means Loma Linda University Medical Center, a nonprofit religious corporation duly organized and existing under the laws of the State, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

Cost of Issuance

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, bond insurance premiums, initial fees and charges of the Bond Trustee and its counsel, fees and charges for the preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

Costs of Issuance Fund

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 3.04.

Date of Issuance

"Date of Issuance" means October __, 2005.

Debt Service Reserve Account

"Debt Service Reserve Account" means the account by that name in the Revenue Fund established pursuant to Section 5.02.

Environmental Regulation

"Environmental Regulation" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

Escrow Agreements

"Escrow Agreements" means the Escrow Agreements, among the City, the Corporation and U.S. Bank National Association, relating to each series of the Prior Bonds, as the same may be amended in accordance with the terms thereof.

Escrow Funds

"Escrow Funds" means the Escrow Fund established pursuant to each of the Escrow Agreements.

Event of Default

"Event of Default" means any of the events specified in Section 7.01.

Facilities

"Facilities" means the medical center and other facilities identified on Exhibit B attached hereto.

Favorable Opinion of Bond Counsel

"Favorable Opinion of Bond Counsel" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under the Bond Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Fitch

"Fitch" means Fitch Ratings, its successors and their assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Corporation, with notice to the City and the Trustee.

Governing Board

"Governing Board" means the board of directors, board of trustees or other board or group of individuals in which the power of the corporation or other entity is vested, except for those powers reserved to the corporate membership by the articles of incorporation or bylaws of such corporation or entity.

Hazardous Substances

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Facilities or to persons on or about the Facilities or (ii) cause the Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste,"

"hazardous substances," "hazardous wastes," "hazardous materials," extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safely Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq.; the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Facilities or the owners and/or occupants of property adjacent to or surrounding the Facilities, or any other person coming upon the Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

Holder or Bondholder

"Holder" or "Bondholder," whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

Information Services

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and S&P's "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the City may designate in writing to the Trustee.

Interest Account

"Interest Account" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

Interest Payment Date

"Interest Payment Date" means June 1 and December 1 of each year, commencing December 1, 2005.

Investment Securities

"Investment Securities" means any of the following:

(a) United States Government Obligations;

(b) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies that are hereafter created: Federal Farm Credit Bank; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Federal National Mortgage Association; Tennessee Valley Authority; Student Loan Marketing Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; and Government National Mortgage Association;

(c) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any corporation, if such obligations are rated in one of the two highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds);

(d) commercial paper rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such commercial paper (but in all cases by at least one Rating Agency then rating the Bonds);

(e) negotiable or non-negotiable certificates of deposit, time deposits, or other similar banking arrangements, issued by any bank or trust company or any savings and loan association, and either (i) the long-term obligations of such bank or trust company are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but in all events by at least one Rating Agency then rating the Bonds), or (ii) the deposits or other arrangements are continuously secured as to principal, but only to the extent not insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the United States of America, (1) by depositing with a bank or trust company, as collateral security, obligations described in paragraph (a) or (b) above in an aggregate principal amount equal to a least 105% of the amount so deposited or, with the approval of the Bond Trustee, other marketable securities eligible as securities for the deposit of trust funds under applicable regulations of the Comptroller of the Currency of the United States or applicable state law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (2) if the furnishing of security as provided in clause (1) of this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

(f) repurchase agreements with respect to obligations listed in paragraph (a) or (b) above if entered into with a bank, a trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) that is a dealer in government bonds, that reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, if such obligations that are the subject of such repurchase agreement are delivered to the Bond Trustee or are supported by a safekeeping receipt issued by a depository (other than the Bond Trustee) satisfactory to the Bond Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price;

(g) shares or certificates in any short-term investment fund that is maintained or utilized by the Bond Trustee and which fund invests solely in other Investment Securities;

(h) investment agreements with any financial institution that at the time of investment has long-term obligations rated in one of the three highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds);

(i) shares or certificates in any mutual fund invested solely in Investment Securities described in clauses (a)-(h) of this definition; and

(j) obligations (including asset-backed and mortgaged-backed obligations) of any corporation, partnership, trust or other entity which are rated in one of the two highest Rating Categories by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

Loan Agreement

"Loan Agreement" means that certain loan agreement by and between the City and the Corporation, dated as of October 1, 2005, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

Loan Default Event

"Loan Default Event" means any of the events specified in Section 6.1 of the Loan Agreement.

Loan Repayments

"Loan Repayments" means the payments so designated and required to be made by the Corporation pursuant to Section 4.1 of the Loan Agreement.

Mandatory Sinking Account Payment

"Mandatory Sinking Account Payment" means the amount required by Section 5.04 to be paid on any single date for the retirement of Bonds.

Master Indenture

"Master Indenture" means that certain master indenture of trust, dated as of October 1, 2005, between the Corporation and the Members and the Master Trustee and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

Master Trustee

"Master Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as successor master trustee under the Master Indenture.

Maximum Annual Bond Service

"Maximum Annual Bond Service" means, as of any date of calculation, the sum of (1) interest falling due on then Outstanding Bonds (assuming that all then Outstanding Bonds are

retired on their respective maturity dates and all then Outstanding term Bonds are retired at the times of and in amounts provided for by Mandatory Sinking Account Payments), (2) the principal installments for serial Bonds then Outstanding falling due by their terms, and (3) the aggregate amount of Mandatory Sinking Account Payments required to be paid; all as computed for the then-current or any future Bond Year in which such sum is the largest.

Members

"Members" means each Person that is then obligated under the Master Indenture.

Moody's

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

Obligated Group

"Obligated Group" means all the Members.

Obligated Group Representative

"Obligated Group Representative" shall have the meaning set forth in Section 1.01 of the Master Indenture.

Obligation No. 2

"Obligation No. 2 means the obligation issued under the Master Indenture and Supplement No. 2.

Officer's Certificate

"Officer's Certificate" shall have the meaning set forth in Section 1.01 of the Master Indenture.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Corporation) selected by the City and not objected to by the Corporation. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

Optional Redemption Account

"Optional Redemption Account" means the account by that name in the Redemption Fund established pursuant to Section 5.06.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

Person

"Person" means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

Principal Account

"Principal Account" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

Principal Corporate Trust Office

"Principal Corporate Trust Office" means the office of the Bond Trustee located at 633 West Fifth Street, 24th Floor, Los Angeles, California, 90071, Attention: Corporate Trust Services, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the City and the Corporation.

Principal Payment Date

"Principal Payment Date" means, with respect to a Bond, the date on which principal evidenced by such Bond becomes due and payable, whether at maturity, upon redemption, by declaration of acceleration or otherwise.

Project

"Project" means the seismic retrofitting and upgrading and certain other capital costs to be incurred at the Facilities.

Project Fund

"Project Fund" means the fund by that name established pursuant to Section 3.03.

Rating Agency

"Rating Agency" means S&P, Moody's and Fitch.

Rating Category

"Rating Category" means one of the general rating categories of either Rating Agency without regard to any refinement or graduation of such rating category by numerical modifier or otherwise.

Rebate Fund

"Rebate Fund" means the fund by that name established pursuant to Section 5.07.

Record Date

"Record Date" means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

Redemption Fund

"Redemption Fund" means the fund by that name established pursuant to Section 5.06.

Redemption Price

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

Reserve Account Requirement

"Reserve Account Requirement" means, as of any date of calculation, an amount equal to Maximum Annual Bond Service on all Bonds Outstanding as of such date.

Revenue Fund

"Revenue Fund" means the fund by that name established pursuant to Section 5.01.

Revenues

"Revenues" means all amounts received by the City or the Bond Trustee for the account of the City pursuant or with respect to the Loan Agreement or Obligation No. 2, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), redemptions, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any Administrative Fees and Expenses or any moneys required to be deposited in the Rebate Fund.

S&P

"S&P" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the

functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

Securities Depository

"Securities Depository" means The Depository Trust Company and its successors and assigns, or any other Securities Depository selected as set forth in Section 2.09 which agrees to follow the procedures required to be followed by such Securities Depository in connection with the Bonds.

Sinking Account

"Sinking Account" means each subaccount in the Principal Account so designated and established pursuant to Section 5.04(B).

Special Record Date

"Special Record Date" means the date established by the Bond Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds.

Special Redemption Account

"Special Redemption Account" means the account by that name in the Redemption Fund established pursuant to Section 5.06.

State

"State" means the State of California.

Supplement No. 2

"Supplement No. 2" means that certain supplemental master indenture, dated as of October 1, 2005, between the Corporation and the Master Trustee.

Supplemental Bond Indenture

"Supplemental Bond Indenture" means any indenture hereafter duly authorized and entered into between the City and the Bond Trustee, supplementing, modifying or amending this Bond Indenture; but only if and to the extent that such Supplemental Bond Indenture is specifically authorized hereunder.

Tax Certificate and Agreement

"Tax Certificate and Agreement" means the Tax Certificate and Agreement delivered by the City and the Corporation at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

United States Government Obligations

"United States Government Obligations" means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America;

(2) certificates or other instruments that evidence direct ownership of future principal and/or interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company acceptable to the Bond Trustee in a special account separate from the general assets of such custodian; and

(3) obligations (a) the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2), and (c) that are rated in the highest Rating Category by each Rating Agency then rating both the Bonds and such obligations (but in all cases by at least one Rating Agency then rating the Bonds).

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Indenture with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City or the Corporation may be based, insofar as it relates to legal, accounting or hospital matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel, an accountant or a management consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City or the Corporation, as the case may be) upon a certificate or opinion of or representation by an officer of the City or the Corporation, unless such counsel, accountant or management consultant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such Person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the City or the Corporation, or the same counsel or accountant or management consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Bond Indenture, but different officers, counsel, accountants or management consultants may certify to different matters, respectively.

SECTION 1.03. Interpretation.

(A) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine

gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(B) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(C) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Bond Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Bond Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds to be issued hereunder in order to obtain moneys to carry out the purposes in Article III hereof for the Corporation is hereby created. The Bonds are designated as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A." The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed _____ million _____ thousand dollars ($_____). This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Terms of the Bonds. The Bonds shall be issued as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The Bonds shall be initially registered in the name of Cede & Co., as nominee of the Securities Depository, or any successor thereto. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Article II. The Bonds shall be dated as of the Date of Issuance, and interest thereon shall be payable on each Interest Payment Date. The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity Date (December 1)	*Principal Amount*	*Interest Rate*
2006	$	%
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation. Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for each Interest Payment Date by check mailed by first-class mail on each Interest Payment Date to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least $1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder.

The Bonds shall be numbered in consecutive numerical order from R 1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty- (360) day year basis of twelve (12) thirty- (30) day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03. Execution of Bonds. The Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of its Mayor attested by the manual or facsimile signature of its City Clerk. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or attested shall have

been authenticated or delivered by the Bond Trustee or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any Bond may be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.04. Transfer of Bonds. Subject to the provisions of Section 2.09, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Trustee, and such other documentation as the Bond Trustee may reasonably require.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount of authorized denominations. The Bond Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such transfer. The Bond Trustee shall not be required to transfer (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.05. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such exchange. The Bond Trustee shall not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.06. Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times, upon reasonable notice, be open to inspection by any Bondholder or his agent duly authorized in writing, the City or the Corporation; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

The Person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes thereof, and payment of or on account of the interest and principal or Redemption Price represented by such Bond shall be made only to or upon the order in writing of such Holder,

which payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the City and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Bond Trustee and the City shall be given, the City, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.09. Use of Securities Depository.

(A) The Bonds shall initially be issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor to the Securities Depository or its nominee, or to any substitute Securities Depository designated pursuant to clause (ii) of this subsection (a) ("substitute Securities Depository"); provided that the successor to the Securities Depository or substitute Securities Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) To any substitute Securities Depository designated by the City (at the direction of the Corporation) and not objected to by the Bond Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute Securities Depository or its successor); or (2) a determination by the City (at the direction of the Corporation) that the Securities Depository or its successor (or any substitute Securities Depository or its successor) is no longer able to carry out its functions as Securities Depository; provided, that any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any Person as provided below, upon (1) the resignation of the Securities Depository (or substitute Securities Depository or its successor) from its functions as Securities Depository; provided, that no substitute Securities Depository which is not objected to by the Bond Trustee can be obtained or (2) a determination by the City (with the concurrence of the Corporation) that it is in the best interests of the City to remove the Securities Depository (or any substitute Securities Depository or its successor) from its functions as Securities Depository.

(B) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the City to the Bond Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of the Securities Depository or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such Certificate of the City. In the case of any transfer pursuant to clause (iii) of subsection (A) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such Person as are requested in such a Statement of the City, subject to the limitations of Section 2.02, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Certificate of the City.

(C) If the Bonds are registered in the name of a Securities Depository as provided herein, in the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount then Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(D) The City, the Corporation and the Bond Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the Bond Trustee or the City; and the City and the Bond Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds. Neither the City, the Corporation nor the Bond Trustee shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute Securities Depository or its successor), except to the Holder of any Bond.

(E) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as all Bonds are registered in the name of any nominee of the Securities Depository, any requirement for transfer or delivery of the Bonds, with respect to redemption or otherwise, may be effectuated by providing appropriate transfer instructions to the Securities Depository.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds. At any time after the execution of this Bond Indenture, the City may execute and the Bond Trustee shall authenticate and, upon Order of the City, deliver the Bonds in the aggregate principal amount of _____ million _____ thousand dollars ($_____).

SECTION 3.02. Application of Proceeds of Bonds and Certain Other Moneys. The proceeds received by the Bond Trustee of $_____ shall be deposited in trust with the Bond Trustee, who shall forthwith deposit such funds as follows:

(1) $_____ into the Project Fund, to be applied as set forth below; and

(2) $_____ into the Costs of Issuance Fund, to be applied as set forth below; and

(3) $_____ transfer to the Escrow Funds, to be applied to refund the Prior Bonds as set forth in the Escrow Agreements; and

(4) $_____ into the Debt Service Reserve Account, which is an amount equal to the Reserve Account Requirement.

SECTION 3.03. Establishment and Application of Project Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be disbursed by the Bond Trustee upon receipt of and in accordance with a Requisition of the Corporation stating the name of each payee and the respective amounts to be paid and certifying that such moneys are being used solely to equip and renovate the Facilities specified in Exhibit B attached hereto in the amounts specified in Exhibit C attached hereto. No moneys in the Project Fund shall be used to pay Costs of Issuance.

SECTION 3.04. Establishment and Application of Cost of Issuance Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the Costs of Issuance Fund. The Trustee shall establish such accounts and subaccounts within the Costs of Issuance Fund as may be specified in a Statement from an Authorized Representative of the Corporation. The moneys in the Costs of Issuance Fund shall be held by the Trustee in trust and applied to the payment of Costs of Issuance, upon a requisition filed with the Trustee in the form attached hereto as Exhibit C, signed by an Authorized Representative of the Corporation. In no event shall moneys from any other fund or account established hereunder be used to pay Costs of Issuance. All payments from the Costs of Issuance Fund shall be reflected in the Bond Trustee's regular accounting statements. Any amounts remaining in an account of the Costs of Issuance Fund six months following the Date of Issuance of the Bonds or upon earlier receipt of a Statement of the Corporation stating that amounts in such fund are no longer required for the payment of Costs of Issuance, shall be transferred to the Project Fund and deposited in such accounts as are specified in the Tax Certificate and Agreement, or in the absence of any such specifications, as specified in a Statement of an Authorized Representative of the Corporation. The Trustee shall then close the Costs of Issuance Fund.

SECTION 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that all acts and proceedings required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in the issuance thereof shall be conclusive evidence of the validity of the Bonds and the validity of the obligations which they represent and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption.

(A) The Bonds maturing on December 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(C) on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(B) The Bonds maturing on December 1, 20__, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(D) on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(C) The Bonds maturing on December 1, 20__, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(D) on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(D) The Bonds maturing on December 1, 20__, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(D) on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

(E) The Bonds maturing on or after December 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given (unless waived by the Bond Trustee in its sole discretion, such Request of the Corporation solely for the benefit of the Trustee) at least forty-five (45) days prior to such redemption date), from any source of available funds, as a whole or in part on any date on or after December 1, 20__, in such maturities as may be specified by the Corporation (or if the Corporation fails to specify such maturities, in inverse order of maturity) and by lot within a maturity, at the following Redemption Prices (expressed as a percentage of the principal amount of Bonds called for redemption), together with interest accrued thereon to the date fixed for redemption:

Redemption Period (both dates inclusive)	*Redemption Price*
December 1, 20__ through November 30, 20__	10_%
December 1, 20__ through November 30, 20__	10_
December 1, 20__ and thereafter	10_

(F) The Bonds are subject to redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion, such Request of the Corporation solely for the benefit of the Trustee) at least forty-five (45) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be specified by the Corporation or, if the Corporation fails to specify such maturities, in inverse order of maturity, and by lot within a maturity) on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, without premium.

SECTION 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Corporation is to specify the maturities of Bonds to be redeemed, the Bond Trustee shall redeem Bonds in accordance with any such specification.

SECTION 4.03. Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Bond Trustee, not less than thirty (30) days and not more than sixty (60) days prior to the redemption date, to (i) the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee, and (ii) the Securities Depository and the Information Services. Notice of redemption shall be given by overnight mail to the Securities Depository and to the Information Services. Each notice of redemption shall state the date of such notice, the Date of Issuance, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee) the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Any notice of redemption hereunder may be rescinded by written notice given by the Corporation to the Bond Trustee no later than five (5) Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to this Section 4.03.

Failure by the Bond Trustee to give notice pursuant to this Section 4.03 to any one or more of the Securities Depository or Information Services, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. Failure by the Bond Trustee to mail notice

of redemption (or failure by any such Holder or Holders to receive said notice) pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of the Corporation, for and on behalf of the City.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Corporation, a new Bond or Bonds of authorized denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

SECTION 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the redemption date on, the Bonds (or portions thereof) so called for redemption being held by the Bond Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Pledge and Assignment; Revenue Fund.

(A) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal (and Redemption Price) of and interest on the Bonds in accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Bond Indenture, excepting only moneys on deposit in the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(B) The City hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (A) of this Section and all of the right, title and interest of the City in the Loan Agreement and Obligation No. 2 (except for (i) the right to receive

any Administrative Fees and Expenses to the extent payable to the City, and (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 and 6.5 of the Loan Agreement. The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the City shall be deemed to be held, and to have been collected or received, by the City as the agent of the Bond Trustee and shall forthwith be paid by the City to the Bond Trustee. The Bond Trustee shall also be entitled to and subject to the provisions of this Bond Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the City and all of the obligations of the Corporation under the Loan Agreement and all of the obligations of the Members under Supplement No. 2 and Obligation No. 2 other than for those rights retained by the City.

(C) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee shall establish, maintain and hold in trust, except as otherwise provided in Sections 5.07 and 5.08 and except that all moneys received by the Bond Trustee and required to be deposited in the Redemption Fund shall be promptly deposited in the Redemption Fund, which the Bond Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(D) If by the second (2nd) day of each month, the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02, the Bond Trustee shall immediately notify the Corporation (by notice to both its chief financial officer and chief executive officer), the Obligated Group Representative of such insufficiency (stating in such notice that (i) the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02; (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore; and (iii) such insufficiency shall constitute a Loan Default Event if not satisfied by the twentieth (20th) day of such month) by telephone or telecopy and confirm such notification, as soon thereafter as practicable, by written notice.

SECTION 5.02. Allocation of Revenues. On or before the twenty-fifth day of each month, commencing November 25, 2005, the Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee shall establish and maintain within the Revenue Fund) and then to the Rebate Fund, the following amounts, in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

First: to the Interest Account, one-sixth of the aggregate amount of interest becoming due and payable on the next ensuing Interest Payment Date on all Bonds then Outstanding, until the balance in said account is equal to said aggregate amount of interest; provided that from the date of delivery of the Bonds until the first Interest Payment Date with respect to the Bonds, transfer to the Interest Account shall be sufficient, on a monthly pro rata basis, to pay the interest becoming due and payable on the Bonds on said Interest Payment Date;

Second: to the Principal Account, one-twelfth of the aggregate amount of principal becoming due and payable on the Outstanding Bonds on the next succeeding Principal Payment Date, until the balance in said Principal Account is equal to said aggregate amount of such principal;

provided that from the date of delivery of the Bonds until the first Principal Payment Date with respect to the Bonds (if less than twelve months), transfers to the Principal Account shall be sufficient on a monthly pro rata basis to pay the principal becoming due and payable on said principal payment date;

Third: to the Debt Service Reserve Account, (i) one-twelfth of the aggregate amount of each prior withdrawal from the Debt Service Reserve Account for the purpose of making up a deficiency in the Interest Account or Principal Account (until deposits on account of such withdrawal are sufficient to fully restore the amount withdrawn), provided that no deposit need be made into the Debt Service Reserve Account if the balance in said account is at least equal to the Reserve Account Requirement, and (ii) in the event the balance in said account shall be less than the Reserve Account Requirement due to valuation of the Investment Securities deposited therein in accordance with Section 5.05(B), the amount necessary to increase the balance in said account to an amount at least equal to the Reserve Account Requirement (until deposits on account of such valuation deficiency are sufficient to increase the balance in said account to said amount); and

Fourth: to the Rebate Fund, such amounts as are required to be deposited therein by this Bond Indenture (including the Tax Certificate and Agreement).

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation.

SECTION 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

SECTION 5.04. Application of Principal Account.

(A) All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds when due and payable, except that all amounts in a Sinking Account shall be used and withdrawn by the Bond Trustee to purchase or redeem or pay at maturity term Bonds, as provided herein.

(B) The Bond Trustee shall establish and maintain within the Principal Account separate subaccounts for each maturity of term Bonds designated as the "_____ Sinking Account." With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 for the purpose of making a Mandatory Sinking Account Payment from the Principal Account to the applicable Sinking Account. On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account

Payment date, the Bond Trustee has purchased Bonds of the maturity for which such Sinking Account was established with moneys in the Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Bonds of such maturity with the Bond Trustee, or Bonds of such maturity were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Bond Trustee and cancelled. Any amounts remaining in the Sinking Account when all of the Bonds of the maturity for which such Sinking Account was established are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Bonds purchased from the Sinking Account or deposited by the Corporation with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then to the remaining Mandatory Sinking Account Payments as the Corporation directs.

(C) Subject to the terms and conditions set forth in this Section and in Section 4.01(A), the Bonds maturing on December 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (December 1)	***Mandatory Sinking Account Payments***
	$
*	

*Maturity

(D) Subject to the terms and conditions set forth in this Section and in Section 4.01(B), the Bonds maturing on December 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (December 1)	***Mandatory Sinking Account Payments***
	$
*	

*Maturity

(E) Subject to the terms and conditions set forth in this Section and in Section 4.01(C), the Bonds maturing on December 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (December 1)	***Mandatory Sinking Account Payments***
	$
*	

*Maturity

(F) Subject to the terms and conditions set forth in this Section and in Section 4.01(D), the Bonds maturing on December 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (December 1)	***Mandatory Sinking Account Payments***
	$
2025*	

*Maturity

SECTION 5.05. Application of Debt Service Reserve Account.

(A) All amounts in the Debt Service Reserve Account shall be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account or (together with any other money available therefor) for the redemption of all Bonds then Outstanding.

(B) Amounts on deposit in the Debt Service Reserve Account shall be valued by the Bond Trustee at their market value each December 1, and the Bond Trustee shall notify the Corporation of the results of such valuation. If the amount on deposit in the Debt Service Reserve Account on any day following such valuation is less than ninety percent (90%) of the Reserve Account Requirement, the Corporation shall make the deposits to the Debt Service Reserve

Account required by Section 5.02 hereof. If the amount on deposit in the Debt Service Reserve Account on any day following such valuation is more than the Reserve Account Requirement, the amount in excess of the Reserve Account Requirement shall be withdrawn by the Bond Trustee from the Debt Service Reserve Account and transferred to the Revenue Fund.

(C) In lieu of maintaining and depositing moneys in the Debt Service Reserve Account (if required by Subsection (A) above), the Corporation may deposit with the Bond Trustee a letter of credit, (i) which is issued by a bank with a credit rating at the time of deposit of such letter of credit into the Debt Service Reserve Account in one of the highest three Rating Categories of each Rating Agency then rating the Bonds, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member senior to any lien which secures the Bonds, and (iii) which has a term of at least five years from the date of issuance thereof. If the credit rating of the bank issuing such letter of credit falls below the highest three Rating Categories of each Rating Agency then rating the Bonds, the Corporation shall within twelve months of such downgrading either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of Subsection (D) below, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). At least six months prior to the expiration date of a letter of credit on deposit in the Debt Service Reserve Account, the Corporation shall either (i) substitute a new letter of credit satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or an irrevocable surety bond policy satisfying the requirements of Subsection (D) below, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). Any such letter of credit shall permit the Bond Trustee to draw amounts thereunder for deposit in the Debt Service Reserve Account which, together with any moneys on deposit in or surety bond policy available to fund, the Debt Service Reserve Account, are not less than the Reserve Account Requirement and which may be applied to any purpose for which moneys in the Debt Service Reserve Account may be applied. The Bond Trustee shall make a drawing on such letter of credit (i) whenever moneys are required for the purposes for which Debt Service Reserve Account moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or an irrevocable surety bond are available in the Debt Service Reserve Account in the amount of the Reserve Account Requirement.

(D) In lieu of maintaining and depositing moneys in the Debt Service Reserve Account (if required by Subsection (A) above), the Corporation, also may maintain in effect an irrevocable surety bond policy (i) which is issued by a bond insurance company with a claims-paying ability rating at the time of deposit of such surety bond policy into the Debt Service Reserve Account in one of the highest three Rating Categories of each Rating Agency then rating the Bonds, (ii) the repayment obligation with respect to which is not secured by a lien on assets of any Member senior to any lien which secures the Bonds, and (iii) has a term of at least five years from the date of issuance thereof. If the credit rating of the bond insurance company issuing such surety bond policy falls below the highest three Rating Categories of each Rating Agency then rating the Bonds, the Corporation shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or a letter of credit satisfying the requirements of Subsection (C) above, or (iii) fund the Debt Service Reserve Account through a combination of (i) and (ii). At least six months prior to the expiration date of a surety bond policy on deposit in the Debt Service Reserve Account, the Corporation shall either (i) substitute a new surety bond policy satisfying the requirements of this subsection, (ii) fund the Debt Service Reserve Account through the deposit of cash or a letter of credit satisfying the requirements of Subsection (C) above, or (iii) fund the Debt Service Reserve Account through a

combination of (i) and (ii). Any such surety bond policy shall permit the Bond Trustee to obtain amounts thereunder for deposit in the Debt Service Reserve Account which, together with any moneys on deposit in or letter of credit available to fund, the Debt Service Reserve Account, are not less than the Reserve Account Requirement and which may be applied to any purpose for which moneys in the Debt Service Reserve Account may be applied. The Bond Trustee shall make a drawing on such surety bond policy (i) whenever moneys are required for the purposes for which Debt Service Reserve Account moneys may be applied, and (ii) prior to any expiration or termination thereof; provided, however, that no such drawing need be made if other moneys or a letter of credit are available in the Debt Service Reserve Account in the amount of the Reserve Account Requirement.

SECTION 5.06. Application of Redemption Fund. The Bond Trustee shall establish and maintain within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account and shall accept all moneys deposited for redemption and shall deposit such moneys into said Accounts, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation. All Bonds purchased or redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments designated in a Certificate of the Corporation (or if the Corporation fails to deliver such a Certificate to the Bond Trustee, in inverse order of their payment dates).

SECTION 5.07. Rebate Fund.

(A) The Bond Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate and Agreement. Subject to the transfer provisions provided in subsection (E) below, all money at any time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate and Agreement), for payment to the federal government of the United States of America. Neither the City, the Corporation nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Certificate and Agreement (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate and Agreement, and shall have no liability or responsibility to enforce

compliance by the Corporation or the City with the terms of the Tax Certificate and Agreement or any other tax covenants contained herein. The Bond Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee shall have no independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Bond Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(B) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate and Agreement. The Bond Trustee shall supply to the Corporation and/or the City all necessary information in the manner provided in the Tax Certificate and Agreement to the extent such information is reasonably available to the Bond Trustee.

(C) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created under this Bond Indenture or from other moneys provided to it by the Corporation.

(D) At the written direction of the Corporation, the Bond Trustee shall invest all amounts held in the Rebate Fund solely in Investment Securities, subject to the restrictions set forth in the Tax Certificate and Agreement. Moneys shall not be transferred from the Rebate Fund except as provided in subsection (E) below. The Bond Trustee shall not be liable for any consequences arising from such investment.

(E) Upon receipt of the Corporation's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the City, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bond Trustee, shall be withdrawn and remitted to the Corporation.

(F) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.06 and the Tax Certificate and Agreement shall survive the defeasance or payment in full of the Bonds.

SECTION 5.08. Investment of Moneys in Funds and Accounts. All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested and reinvested by the Bond Trustee, upon the written direction of the Corporation, solely in Investment Securities. The Bond Trustee shall acquire such Investment Securities upon the written direction of the Corporation at such prices and on such terms as directed by the Corporation. The Bond Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Bond Trustee

that such investment constitutes an Investment Security. In the absence of written investment directions from the Corporation, the Bond Trustee shall invest solely in Investment Securities set forth in clause (g) of the definition thereof. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation.

Moneys in all funds and accounts (other than the Debt Service Reserve Account) shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture. Moneys in the Debt Service Reserve Account shall be invested in Investment Securities with a maturity of not to exceed five years from the date of investment. Investment Securities purchased under a repurchase agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase under such agreement. Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee or its nominee.

All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Bond Indenture shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account (other than the Debt Service Reserve Account, which shall be governed by Section 5.05(B)), all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or market value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this Section.

The City and the Corporation (by its execution of the Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Corporation the right to receive brokerage confirmations of security transactions as they occur, the City and the Corporation specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee will furnish, pursuant to Section 6.05(B) hereof, periodic

cash transaction statements which include details for all investment transactions made by the Bond Trustee hereunder.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The City shall punctually cause to be paid the principal of and Redemption Price and interest on all of the Bonds, in strict conformity with the terms of the Bonds and of this Bond Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture.

SECTION 6.02. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 6.03. Against Encumbrances. The City shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Bond Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Bond Indenture. Subject to this limitation, the City expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legal, valid and binding limited obligations of the City in accordance with their terms, and the City and Bond Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05. Accounting Records and Financial Statements.

(A) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of Bonds, the Revenues, the Loan Agreement, Obligation No. 2 and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the City, the Corporation, the Obligated Group Representative, and any Bondholder, or the agent

or representative of any of them duly authorized in writing, at reasonable hours and under reasonable circumstances with reasonable notice.

(B) The Bond Trustee shall file and furnish on or before the 15th day of each month to the City, the Corporation, the Obligated Group Representative and each Bondholder who shall have filed his or her name and address with the Bond Trustee for such purpose a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for the preceding month.

SECTION 6.06. Tax Covenants. The City shall at all times do and perform all acts and things permitted by law and this Bond Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for federal income taxes. Without limiting the generality of the foregoing, the City agrees to comply with the provisions of the Tax Certificate and Agreement.

SECTION 6.07. Enforcement of Loan Agreement and Obligation No. 2. The Bond Trustee shall promptly collect all amounts due from the Corporation pursuant to the Loan Agreement and from the Members pursuant to Obligation No. 2, shall perform all duties imposed upon it pursuant to the Loan Agreement and, subject to the provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of, all of the rights of the City and all of the obligations of the Corporation and the Members.

SECTION 6.08. Amendment of Loan Agreement.

(A) Except as provided in Section 6.08(B), the City shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the City or the Bond Trustee by the Corporation pursuant to the Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(B) Notwithstanding the provisions of Section 6.08(A), the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the City without the necessity of obtaining the consent of or any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City or the Corporation contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the City or the Corporation, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in

the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the City may deem necessary or desirable and not inconsistent with the Loan Agreement or this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds; or

(3) to maintain the exclusion from gross income of interest payable with respect to the Bonds.

SECTION 6.09. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Bond Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

SECTION 6.10. Further Assurances. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Bond Indenture and for the better assuring and confirming unto the Holders of the Bonds of the rights and benefits provided in this Bond Indenture.

SECTION 6.11. Continuing Disclosure. Pursuant to Section 5.6 of the Loan Agreement, the Corporation has covenanted to enter into, comply with and carry out all of the provisions of a disclosure agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). Notwithstanding any other provision of this Bond Indenture, failure of the Corporation to enter into and comply with such a disclosure agreement shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner may and the Bond Trustee, at the written request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, shall, (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under Section 5.6 of the Loan Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(A) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

(B) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(C) default by the City in the observance of any of the other covenants, agreements or conditions on its part in this Bond Indenture or in the Bonds contained, if such default

shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Bond Trustee, or to the City and the Bond Trustee by the Holders of not less than twenty five per cent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(D) default by the City in the observance of its covenants set forth in Section 6.06 hereof, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City; or

(E) a Loan Default Event.

SECTION 7.02. Acceleration of Maturities. Whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(A) In the case of an Event of Default described in Section 7.01 (A) or (B) of this Bond Indenture, the Bond Trustee may notify the Master Trustee of such Event of Default, may make a demand for payment under Obligation No. 2 and request the Master Trustee in writing to give notice to the Members pursuant to Section 4.02 of the Master Indenture declaring the principal of all obligations issued under the Master Indenture then outstanding to be due and immediately payable. Upon such declaration by the Master Trustee, the Bond Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture to the contrary notwithstanding. In addition, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under Obligation No. 2;

(B) In the case of an Event of Default described in Section 7.01(C) or 7.01(D) of this Bond Indenture, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the City with any covenant, condition or agreement by the City under this Bond Indenture; and

(C) In the case of an Event of Default described in Section 7.01(E) of this Bond Indenture, the Bond Trustee may take whatever action the City would be entitled to take, and shall take whatever action the City would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Notwithstanding any other provision of this Bond Indenture or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstance in which an Event of Default has occurred declare the entire unpaid aggregate principal amount of the Bonds Outstanding to be immediately due and payable except in the event that the Master Trustee shall have declared the principal amount of Obligation No. 2 and all interest due thereon immediately due and payable in accordance with the Master Indenture.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City or the Corporation shall deposit with the Bond Trustee a sum sufficient to pay all the principal, Mandatory Sinking Amount Payments or Redemption Price of and

installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Bond Trustee, and if the Bond Trustee has received notification from the Master Trustee that the declaration of acceleration of Obligation No. 2 has been annulled pursuant to the Master Indenture and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall effect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 11.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(A) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Bond Indenture;

(B) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal or redemption price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the

payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 7.04. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney in fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 2 and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than twenty five per cent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 2 or any law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Bond Indenture, pending such proceedings. All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05. Bondholders' Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction that in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 2 or any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to

comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 2 or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of City. Nothing contained in Section 7.06 or in any other provision of this Bond Indenture or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the City, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(A) The City hereby appoints U.S. Bank National Association, as Bond Trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived in accordance herewith), exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(B) The City may, and upon written request of the Corporation shall, remove the Bond Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(C) The Bond Trustee may at any time resign by giving written notice of such resignation to the City and the Corporation, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the City shall promptly appoint, with the consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(D) The Bond Trustee shall not be relieved of its duties hereunder until its successor Bond Trustee has accepted its appointment and assumed the duties of Bond Trustee hereunder. Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond

Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the City shall cause such Bond Trustee to mail a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

(E) Any successor Bond Trustee shall be a trust company or bank having the powers of a trust company having (or, in the case of a trust company or bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Liability of Bond Trustee.

(A) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Bond Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the legality, validity or sufficiency of this Bond Indenture, the Loan Agreement, Obligation No. 2 or any other document related hereto, or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Bond Trustee or its powers. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence, default or misconduct; provided, that this shall not be construed to limit the effect of subsection (F) hereof. The Bond Trustee may become the owner of Bonds with the same rights it would have if it were not Bond Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other

capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(B) The Bond Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Bond Trustee was negligent.

(C) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(D) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee security or indemnity reasonable to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(E) The Bond Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Bond Indenture unless it shall be proved that the Bond Trustee was negligent.

(F) No provision of this Bond Indenture shall require the Bond Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(G) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement, Obligation No. 2 or other documents relating to the issuance of the Bonds, relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(H) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, requisition, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Bond Trustee, in its discretion and at its expense, may make such further investigation or inquiry into such facts of matters as it may deem fit.

(I) The Bond Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(J) The Bond Trustee shall not be deemed to have knowledge of an Event of Default hereunder, under the Loan Agreement, Obligation No. 2 or any other document related to the Bonds unless it shall have actual knowledge at its Principal Corporate Trust Office. As used herein, "actual knowledge" shall mean the actual fact or statement of knowing without any independent duty to make any investigation with regard thereto.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, statement, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Bond Trustee acts or refrains from acting, it may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of Persons in whose names Bonds are registered on the books maintained by the Bond Trustee for such purpose, the Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

Whenever in the administration of the trusts imposed upon it by this Bond Indenture the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the City, and such Certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Indenture in reliance upon such Certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, the Corporation, and any Bondholder, and their agents and representatives duly authorized in writing (if such Bondholder provides to the Bond Trustee thirty (30) days prior written notice and such notice specifies a date upon which such inspection shall occur), during normal business hours and under reasonable conditions.

SECTION 8.06. Performance of Duties. The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it under either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be absolutely protected in relying thereon. The Bond Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

SECTION 9.01. Amendments Permitted.

(A) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into with the written consent of the Corporation when the written consent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or change the method of

determining the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, (3) modify any provisions of this Section 9.01 or Section 6.08 or (4) permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (A), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(B) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into without the consent of any Bondholders, but with the written consent of the Corporation, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in this Bond Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the City, the Corporation or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of any Tax Certificate and Agreement; or

(5) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

(C) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (A) or (B) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by this Article or the modifications thereby of the trusts created by this Bond Indenture, the Bond Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Bond Indenture is authorized by and in compliance with this Bond Indenture.

SECTION 9.02. Effect of Supplemental Bond Indenture. Upon the execution of any Supplemental Bond Indenture pursuant to this Article, this Bond Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Bond Indenture of the City, the Bond Trustee and all Holders of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Bond Indenture shall be deemed to be part of the terms and conditions of this Bond Indenture for any and all purposes.

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may, and if the City so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Principal Corporate Trust Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the City, to any modification or amendment contained in such Supplemental Bond Indenture, shall be prepared by the Bond Trustee at the expense of the Corporation, executed by the City and authenticated by the Bond Trustee, and upon demand of the Holders of any Bonds then Outstanding shall be exchanged at the Principal Corporate Trust Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Bond Indenture. The Bonds may be paid by the City or the Bond Trustee on behalf of the City in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case at the election of the City (evidenced by a Certificate of the City filed with the Bond Trustee signifying the intention of the City to discharge all such indebtedness and this Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the City under this Bond Indenture (except as otherwise specifically provided herein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the City, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.07.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

The City may at any time surrender to the Bond Trustee for cancellation by it any Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption

shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bond.

SECTION 10.04. Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, any moneys held by the Bond Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for the period which is one year less than the statutory escheat period after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or the period which is one year less than the statutory escheat period after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by this Bond Indenture upon receipt of an indemnification agreement acceptable to the City and the Bond Trustee indemnifying the City and the Bond Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of City Limited to Revenues. Notwithstanding anything in this Bond Indenture or in the Bonds contained, the City shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Bond Indenture for any of the purposes in this Bond Indenture mentioned, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of this Bond Indenture.

SECTION 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the City or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and

agreements in this Bond Indenture contained by or on behalf of the City or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitation of Rights to Parties, Corporation and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the City, the Bond Trustee, the Corporation and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Bond Trustee, the Corporation and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the City of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the City.

SECTION 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Bond Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Indenture, and this Bond Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into this Bond Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Bond Indenture may be held illegal, invalid or unenforceable.

SECTION 11.07. Notices. All notices to Bondholders shall be given by telex, telegram, telecopier or other telecommunication device unless otherwise provided herein and, if by a telecommunications device not capable of producing a written notice, confirmed in writing as soon as practicable. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Principal Corporate Trust Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the City. Any notice to or demand upon the City or the Corporation shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or telecopy or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed, as the case may be, to the City at 25541 Barton Road, Loma Linda, California 92354, Attention: City Clerk or, to the Corporation at 11234 Anderson Street, Loma Linda, California 92354, Attn: Chief Financial Officer (or such other addresses as may have been filed in writing by the City or the Corporation with the Bond Trustee). Notwithstanding the foregoing provisions of this Section 11.07, the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of any notice, unless and until the Bond Trustee actually receives such notice.

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Bond Indenture and shall be conclusive in favor of the Bond Trustee and of the City if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Bond Trustee or the City in accordance therewith or reliance thereon.

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are owned or held by or for the account of the City, the Corporation or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, but only to the extent the Bond Trustee has actual knowledge of such ownership. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust uninvested by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an

account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every holder thereof. Notwithstanding any other provision of this Bond Indenture, the Bond Trustee shall only be required to open any funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

SECTION 11.12. Waiver of Personal Liability. No officer, agent or employee of the City shall be individually or personally liable for the payment of the principal (or Redemption Price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 11.13. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.14. Governing Law. This Bond Indenture and the Bonds are contracts made under the laws of the State, and shall be governed by and construed in accordance with the Constitution and the laws applicable to contracts made and performed in said State.

SECTION 11.15. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the CITY OF LOMA LINDA, CALIFORNIA has caused this Bond Indenture to be signed in its name by the Mayor of the City and U.S. BANK NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by the officer thereunto duly authorized, all as of the day and year first above written.

CITY OF LOMA LINDA, CALIFORNIA

By_____
Mayor

U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee

By_____
Authorized Representative

EXHIBIT A

FORM OF BOND

NUMBER AMOUNT

R-1 $_____

CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE BOND
(LOMA LINDA UNIVERSITY MEDICAL CENTER PROJECT)
SERIES 2005A

INTEREST RATE	*MATURITY DATE*	*DATED DATE*	*CUSIP NUMBER*
%	December 1. 20__	October __, 2005	_____

REGISTERED HOLDER: Cede & Co.

PRINCIPAL AMOUNT:

THE CITY OF LOMA LINDA, CALIFORNIA (the "City"), a chartered city duly organized and existing under the laws of the State of California, for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the registered holder stated above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount stated above in lawful money of the United States of America; and to pay interest thereon (but only from said Revenues and other assets pledged therefor) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Bond Indenture hereinafter mentioned, at the rate per annum stated above, payable on June 1 and December 1 of each year, commencing December 1, 2005. The principal (or redemption price) hereof is payable upon surrender at the Principal Corporate Trust Office (as defined in the Bond Indenture) of U.S. Bank National Association (herein called the "Bond Trustee"). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest) to the person whose name appears on the bond registration books of the Bond Trustee as the registered holder hereof as of the close of business on the fifteenth (15th) calendar day of the month preceding such interest payment date, whether or not such day is a Business Day (as defined in the Bond Indenture hereinafter defined) (the "Record Date") at the address appearing on the bond registration books maintained by the Bond Trustee, or by wire transfer to an account within the United States to any registered holder of at least $1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Bond Trustee at least one Business Day prior to the Record Date. Interest shall be calculated on a three hundred sixty (360) day year basis of twelve (12) thirty (30) day months.

This Bond is one of a duly authorized issue of bonds of the City designated as "City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A" (herein called the "Bonds"), limited in aggregate principal amount to _____ million _____ thousand dollars ($_____) and issued pursuant to a bond indenture, dated as of October 1, 2005, between the City and the Bond Trustee (herein called the "Bond Indenture"). The

Bonds are issued for the purpose of making a loan to Loma Linda University Medical Center (the "Corporation"), pursuant to a loan agreement, dated as of October 1, 2005 (herein called the "Loan Agreement"), between the City and the Corporation, for the purposes and on the terms and conditions set forth therein. The Bonds are further secured by an assignment of the right, title and interest of the City in the Loan Agreement (to the extent and as more particularly described in the Bond Indenture) and in Obligation No. 2, dated as of October 1, 2005 (herein called "Obligation No. 2"), and issued by the Corporation, pursuant to the terms of a master trust indenture, dated as of October 1, 2005 (herein called the "Master Indenture"), between the Corporation and the other Members (as defined therein) and U.S. Bank National Association, a national banking association, as master trustee (herein called the "Master Trustee") and a supplemental master indenture, dated as of October 1, 2005, between the Corporation and the Master Trustee.

Reference is hereby made to the Bond Indenture (a copy of which is on file at said Principal Corporate Trust Office of the Bond Trustee) and all indentures supplemental thereto and, to the Loan Agreement (a copy of which is on file at said Principal Corporate Trust Office of the Bond Trustee) for a description of the rights thereunder of the registered holders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the City thereunder, to all the provisions of which Bond Indenture and Loan Agreement the registered holder of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Indenture.

The Bonds and the interest thereon are payable from Revenues and, from certain funds and accounts established and maintained under the Bond Indenture, and are secured by a pledge and assignment of said Revenues and of amounts held in the funds and accounts established pursuant to the Bond Indenture (including proceeds of the sale of the Bonds but excluding amounts held in the Rebate Fund), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds are further secured by an assignment of the right, title and interest of the City in the Loan Agreement and in Obligation No. 2 (to the extent and as more particularly described in the Bond Indenture).

The Bonds are limited obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforementioned pledge and assignment. The City shall not be obligated to pay the principal of the Bonds, or the interest thereon, except from Revenues received by the City, and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds. The Bonds are not a debt of the State of California and said State is not liable for payment thereof. The City has no taxing power.

The Bonds maturing on December 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on December 1, 20__1, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on December 1, 20__, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account, as provided in the Bond Indenture, on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on December 1, 20__, are also subject to redemption prior to their stated maturity in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on any December 1, on or after December 1, 20__, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on or after December 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given (unless waived by the Bond Trustee) at least forty-five (45) days prior to such redemption date), from any source of available funds, as a whole or in part on any date on or after December 1, 20__, in such maturities as may be specified by the Corporation (or if the Corporation fails to specify such maturities, in inverse order of maturity) and by lot within a maturity, at the following Redemption Prices (expressed as a percentage of the principal amount of Bonds called for redemption), together with interest accrued thereon to the date fixed for redemption:

Redemption Period (both dates inclusive)	***Redemption Price***
December 1, 20__ through November 30, 20__	10_%
December 1, 20__ through November 30, 20__	10_
December 1, 20__ and thereafter	10_

The Bonds are subject to redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee) at least forty-five (45) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be specified by the Corporation or, if the Corporation fails to specify such maturities, in inverse order of maturity, and by lot within a maturity) on any date, from hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount thereof, without premium.

Notice of redemption shall be mailed by the Bond Trustee, not less than thirty (30) days, and not more than sixty (60) days prior to the redemption date, to the respective holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. Any notice of redemption may be rescinded by written notice delivered in the same manner as the initial redemption notice up through ten day prior to the proposed redemption date.

If an Event of Default shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Bond Indenture. The Bond Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of not less than a majority in aggregate principal amount of the Bonds then outstanding or by the Bond Trustee.

The Bonds are issuable only as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged, at the Principal Corporate Trust Office of the Bond Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

This Bond is transferable by the registered holder hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Bond Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a Bond or Bonds, of authorized denomination or denominations, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The City and the Bond Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes, and the City and the Bond Trustee shall not be affected by any notice to the contrary.

The Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time in the manner, to the extent and upon the terms provided in the Bond Indenture; provided, that no such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or change the method of determining the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, (2) reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, (3) modify the provisions of the Bond Indenture relating to the amendment of the Bond Indenture or the Loan Agreement, or (4) permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the Holders of all Bonds then Outstanding.

It is hereby certified and recited that any and all act, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by the Constitution and laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Indenture.

This Bond shall not be entitled to any benefit under the Bond Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Bond Trustee.

IN WITNESS WHEREOF, CITY OF LOMA LINDA, CALIFORNIA has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Mayor attested by the facsimile signature of its City Clerk, all as of the date set forth above.

CITY OF LOMA LINDA, CALIFORNIA

By:_____
Mayor

Attest:

_____
City Clerk

[FORM OF BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within mentioned Bond Indenture, which has been authenticated on the date set forth below.

U.S. BANK NATIONAL ASSOCIATION, as Bond Trustee

By:_____
Authorized Signatory

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____, attorney, to transfer the same on the books of the within-named Bond Trustee, with full power of substitution in the premises.

_____

Dated:_____

NOTICE: Signature must be guaranteed by a qualified guarantor institution.

EXHIBIT B

LIST OF FACILITIES

Facilities Name & Address

Loma Linda University Medical Center,
11134 Anderson Street
Loma Linda, California 92350

EXHIBIT C

FORM OF COSTS OF ISSUANCE FUND REQUISITION

(COSTS OF ISSUANCE FUND)
(SECTION 3.04 of the Bond Indenture)

CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE BONDS
(LOMA LINDA UNIVERSITY MEDICAL CENTER)
SERIES 2005A

Request No.: -_____ [Requisitions to be sequentially numbered]

The undersigned authorized representative of the Loma Linda University Medical Center (the "Corporation"), hereby requests U.S. Bank National Association., as bond trustee (the "Bond Trustee") under that certain Bond Indenture, dated as of October 1, 2005, between the City of Loma Linda, California (the "City") and the Bond Trustee (the "Bond Indenture"), to pay to the Persons listed on Schedule I attached hereto, the amounts shown for the purposes indicated from the Costs Issuance Fund held under the Bond Indenture.

The Corporation hereby certifies that obligations in the amounts stated in this Requisition have been incurred by the Corporation and are presently due and payable and that each item thereof is a proper charge against the Costs of Issuance Fund and has not been previously paid therefrom. The Corporation hereby further certifies that the amounts stated in this Requisition, when combined with the amounts stated in any previous Requisition, do not exceed the two percent (2%) limitation on Costs of Issuance as provided in the Tax Certificate and Agreement, by and between the City and the Corporation, dated October __, 2005.

Capitalized terms used herein and not otherwise defined shall have the meanings given such terms pursuant to the Bond Indenture.

Dated: _____

LOMA LINDA UNIVERSITY MEDICAL CENTER

By: _____
Authorized Corporation Representative

SCHEDULE I
COSTS OF ISSUANCE FUND REQUISITION)

PAYEE	PURPOSE	AMOUNT

Stradling Yocca Carlson & Rauth
Draft of 9/2/05

CITY OF LOMA LINDA, CALIFORNIA

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

LOAN AGREEMENT

Dated as of October 1, 2005

Relating to

$_____
CITY OF LOMA LINDA, CALIFORNIA
HOSPITAL REVENUE BONDS
(LOMA LINDA UNIVERSITY MEDICAL CENTER)
SERIES 2005A

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of October 1, 2005 (the "Loan Agreement"), between the CITY OF LOMA LINDA, CALIFORNIA, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation duly organized and existing under the laws of the State of California (the "Corporation");

W I T N E S S E T H:

WHEREAS, the Corporation intends to undertake the seismic retrofitting and upgrading of its medical center located in the City (the "Facility") and to incur certain other capital costs at the Facility; and

WHEREAS, the City, on behalf of the Corporation, has previously issued its (a) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1992-A; (b) City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A; (c) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-B; and (d) City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-C (collectively, the "Prior Bonds"); and

WHEREAS, the Corporation has requested the assistance of the City in financing the seismic retrofitting and upgrading of the Facility (the "Project") and in the refunding of the Prior Bonds; and

WHEREAS, the City has authorized the issuance of its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds") pursuant to the Bond Indenture, in an aggregate principal amount of _____ million _____ thousand dollars ($_____) to finance a portion of the Project and to refund the Prior Bonds; and

WHEREAS, pursuant to a Master Indenture of Trust, dated as of October 1, 2005 (the "Master Indenture"), among the Corporation, each Member (as defined therein) and U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States, as master trustee (the "Master Trustee"), and a Supplemental Master Indenture for Obligation No. 2, dated as of October 1, 2005, between the Corporation and the Master Trustee, the Corporation has issued its Obligation No. 2 to evidence the obligation of the Members to make payments sufficient to pay the principal of and interest on the Bonds; and

WHEREAS, the City and the Corporation have each duly authorized the execution, delivery and performance of this Loan Agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1. Definitions. Unless the context otherwise requires, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture, dated as of October 1, 2005, between the City and U.S. Bank National Association, as trustee, as originally executed and as amended or supplemented from time to time (the "Bond Indenture").

Section 1.2. Interpretation. (a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Loan Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Loan Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3. Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include the requirements set forth in Section 1.02 of the Bond Indenture.

ARTICLE II

FINDINGS OF THE CITY; REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 2.1. Findings by the City. The City hereby finds and determines that the City is authorized by Section 302 of the City Charter and Ordinance 271 of the City to issue revenue bonds to finance or refinance hospital and healthcare facilities.

Section 2.2. Representations and Warranties of the Corporation. The Corporation represents and warrants to the City that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the City or the results thereof):

(a) The Corporation is a nonprofit religious corporation duly incorporated and in good standing under the laws of the State of California, is a health facility as provided in Section 3.20.070 of Ordinance 271 of the City, has full legal right, power and authority to enter into and execute this Loan Agreement, the Master Indenture, Supplement No. 2 and Obligation No. 2, and to carry out and consummate all transactions contemplated hereby and thereby.

(b) The officers of the Corporation executing this Loan Agreement, the Master Indenture, Supplement No. 2 and Obligation No. 2 are duly and properly in office and fully authorized to execute the same.

(c) This Loan Agreement, the Master Indenture, Supplement No. 2 and Obligation No. 2 have been duly authorized, executed and delivered by the Corporation.

(d) This Loan Agreement and Obligation No. 2, when assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding agreements of the Corporation with the Bond Trustee enforceable against the Corporation in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the City and obligations of the Corporation under the Loan Agreement not so assigned to the Bond Trustee and the Master Indenture and Supplement No. 2 constitute the legal, valid, and binding agreements of the Corporation, enforceable against the Corporation in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent, conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) The execution and delivery of this Loan Agreement, the Master Indenture, Supplement No. 2 and Obligation No. 2, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Corporation, its bylaws or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties or the Facility are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, Obligation No. 2, the Master Indenture or Supplement No. 2 or the financial condition, assets, properties or operations of the Obligated Group.

(f) No consent or approval of any trustee or holder of any indebtedness of the Corporation and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Loan Agreement, Obligation No. 2, the Master Indenture or Supplement No. 2 or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement, Obligation No. 2, the Master Indenture or Supplement No. 2 or upon the financial condition, assets, properties or operations of the Obligated

Group, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, Obligation No. 2, the Master Indenture or Supplement No. 2 or the financial condition, assets, properties or operations of the Obligated Group. All tax returns (federal, state and local) required to be filed by or on behalf of the Corporation have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Corporation in good faith, have been paid or adequate reserves have been made for the payment thereof. The Corporation enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating the Facility.

(h) No written information, exhibit or report furnished to the City by the Corporation in connection with the negotiation of this Loan Agreement, Obligation No. 2, the Master Indenture or Supplement No. 2 contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(i) The Corporation is an organization described in Section 501(c)(3) of the Code and is exempt from federal income tax under Section 501(a) of the Code, and is not a private foundation as described in Section 509(a) of the Code.

(j) With respect to the Facility, (i) no patient will be required to attend any religious services or participate in any religious ceremonies or other religious activities; (ii) no decisions as to the admission of any patient or prospective patient seeking medical care will be made on the basis of religious affiliation; (iii) with respect to the Corporation, no decision as to the employment of personnel will be made on the basis of religious affiliation in violation of applicable state and federal laws, rules and regulations, and (iv) no statement of faith is or will be required of employees of the Corporation; provided, that for purposes of this clause (iv), officers and directors of the Corporation shall not be considered employees. The Corporation further agrees that it will not use the Facility or any substantial part thereof primarily for sectarian instruction or primarily as a place of religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity. It is acknowledged that the Corporation is operating the Facility and shall continue to operate the Facility in accordance with the principles stated in its Articles of Incorporation and Bylaws, as amended from time to time, and nothing herein shall prohibit the use of the Facility for the training of religious and other personnel in health care and related pursuits and vocations and the providing of health care to the general public according to such principles.

(k) The Corporation complies in all material respects with all applicable Environmental Regulations.

(l) Neither the Corporation nor the Facility is the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by an Environmental Regulation referred to in (k) above or to respond to a release of any Hazardous Substances into the environment.

(m) The Corporation does not have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

(n) The audited combined financial statements of the Corporation and affiliates (included in the audited financial statements) as of December 31, 2004, and the related combined statements of operations and changes in net assets and cash flows for the year ended on such date fairly state the financial position of the Corporation and affiliates at December 31, 2004, and the results of operations of the Corporation and affiliates for the year ended on such date, and since December 31, 2004, there has been no material adverse change in the condition (financial or otherwise) of the Corporation and affiliates (included in the audited financial statements).

(o) The Corporation has good title to the Facility free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture).

ARTICLE III

ISSUANCE OF BONDS AND OBLIGATION NO. 2; LOAN OF PROCEEDS

Section 3.1. The Bonds. Pursuant to the Bond Indenture, the City has authorized the issuance of the Bonds in the aggregate principal amount of _____ million _____ thousand dollars ($_____). The City hereby loans and advances to the Corporation, and the Corporation hereby borrows and accepts from the City (solely from the proceeds of the sale of the Bonds), the proceeds of the Bonds to be applied under the terms and conditions of this Loan Agreement and the Bond Indenture. The Corporation hereby approves the Bond Indenture and the issuance of the Bonds thereunder by the City, the assignment thereunder to the Bond Trustee of the right, title and interest of the City in this Loan Agreement (except for (i) the right to receive any Administrative Fees and Expenses to the extent payable to the City, and (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 or 6.5) and in and to Obligation No. 2.

Section 3.2. Issuance of Obligation No. 2. In consideration of the issuance of the Bonds by the City and the application of the proceeds thereof as provided in the Bond Indenture, the Corporation agrees to issue, and to cause to be authenticated and delivered to the Trustee, pursuant to the Master Indenture and Supplement No. 2, concurrently with the execution and delivery of this Loan Agreement, Obligation No. 2 in substantially the form set forth in Section 11 of Supplement No. 2. The City agrees that Obligation No. 2 shall be registered in the name of the Bond Trustee. The Corporation agrees that the aggregate principal amount of Obligation No. 2 shall be limited to _____ million _____ thousand dollars ($_____), except for any Obligation No. 2 authenticated and delivered in lieu of another Obligation No. 2 as provided in Section 7 of Supplement No. 2 with respect to the mutilation, destruction, loss or theft of Obligation No. 2 or, subject to the provisions of Section 3.3 hereof, upon transfer of registration of Obligation No. 2. The execution and delivery of this Loan Agreement by the City shall be a condition of the issuance and delivery of Obligation No. 2.

Section 3.3. Restrictions on Number and Transfer of Obligation No. 2. (a) The Corporation agrees that, except as provided in subsection (b) of this Section, so long as any of the Bonds remain Outstanding, Obligation No. 2 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 2 shall be registered under the Master Indenture or be recognized by the Corporation except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Obligations Outstanding (within the meaning of that term as used in the Master Indenture) being declared immediately due and payable, Obligation No. 2 may be transferred if and to the extent that the Bond Trustee requests that the restrictions on transfers set out in subsection (a) of this Section be terminated.

ARTICLE IV

PAYMENTS

Section 4.1. Payments of Principal, Premium and Interest. (a) In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, on or before the first day of each month (commencing the first day of the calendar month following the Date of Issuance), and as long as any of the Bonds remain Outstanding, it shall pay to the Bond Trustee for deposit in the Revenue Fund such amount as is required by the Bond Trustee to make the transfers and deposits required on or before the twenty-fifth (25th) day of such months by Section 5.02 of the Bond Indenture. Notwithstanding the foregoing, if on any Interest Payment Date or Principal Payment Date, the aggregate amount in the Revenue Fund (other than the Debt Service Reserve Account) is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the Corporation shall forthwith pay the amount of any such deficiency to the Bond Trustee. Each payment by the Corporation to the Bond Trustee hereunder (the "Loan Repayments") shall be in lawful money of the United States of America and paid to the Bond Trustee at the Principal Corporate Trust Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Corporation to the City shall be paid to the Bond Trustee as assignee of the City and this Loan Agreement and all right, title and interest of the City in any such payments are assigned and pledged to the Bond Trustee pursuant to the Bond Indenture so long as any Bonds remain Outstanding.

Section 4.2. Additional Payments. In addition to the Loan Repayments, the Corporation shall also pay to the City or to the Bond Trustee, as the case may be, "Additional Payments," as follows:

(a) all taxes and assessments of any type or character charged to the City or to the Bond Trustee affecting the amount available to the City or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental City of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the City or the Bond Trustee, at the Corporation's expense, to protest and contest any such taxes or assessments levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the City or the Bond Trustee;

(b) all reasonable fees and expenses of the Bond Trustee for services rendered under the Bond Indenture, as and when the same become due and payable;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, Obligation No. 2 or the Bond Indenture; and

(d) the reasonable fees and expenses of the City in connection with this Loan Agreement, Obligation No. 2, Supplement No. 2, the Master Indenture, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation which may at any time be instituted involving this Loan Agreement, Obligation No. 2, Supplement No. 2, the Master Indenture, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement, Supplement No. 2, the Master Indenture, or Obligation No. 2.

Such Additional Payments shall be billed to the Corporation by the City or the Bond Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the City or the Bond Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation.

Section 4.3. Credits for Payments. The Corporation shall receive credit against its payments required to be made under Section 4.1, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys deposited in the Interest Account, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys deposited in the Principal Account, to the extent such amounts have not previously been credited against such payments;

(c) on installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by Section 10.03 of the Bond Indenture) in cash or Investment Securities are on deposit as provided in Section 10.03 of the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal, premium, if any, and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due at maturity; and

(d) on installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Section 4.4. Prepayment. The Corporation shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the City agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Optional Redemption Account or the Special Redemption Account of the Redemption Fund pursuant to Section 5.06 of the Bond Indenture and, at the request of and as determined by the Corporation, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in Section 4.01 of the Bond Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and in the case of Bonds shall be allocated as set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Corporation shall not be relieved of its obligations hereunder.

Section 4.5. Obligations Unconditional. The obligations of the Corporation hereunder, are absolute and unconditional, notwithstanding any other provision of this Loan Agreement, Supplement No. 2, Obligation No. 2, the Master Indenture or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, the Corporation:

(a) shall pay all amounts required hereunder without abatement, deduction or setoff except as otherwise expressly provided in this Loan Agreement;

(b) shall not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(c) shall perform and observe all its other agreements contained in this Loan Agreement; and

(d) except as provided herein, shall not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facility or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either thereof or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section shall be construed to release the City from the performance of any of the agreements on its part herein contained; and in the event the City should fail to perform any such agreement on its part, the Corporation may institute such action against the City as the Corporation may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the City, the Master Trustee or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the City, the Master Trustee or by the Bond Trustee to the Corporation.

Section 4.6. Conditions Precedent. The obligation of the City to make the loan as herein provided shall be subject to the receipt by it of the proceeds of the issuance and sale of the Bonds.

ARTICLE V

PARTICULAR COVENANTS

Section 5.1. Prohibited Uses. No portion of the proceeds of the Bonds were or will be used to finance any facility, place or building used or to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; or (2) by a Person that is not an organization described in Section 501(c)(3) of the Code or by a 501(c)(3) organization, including the Corporation, in an unrelated trade or business, in such manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

Section 5.2. Nonliability of the City. The City shall not be obligated to pay the principal of or premium, if any, and interest on the Bonds, except from payments received hereunder, under Obligation No. 2 and other Revenues. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the City or any Member, is pledged to the payment of the principal of, premium or interest on the Bonds. The City shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, Obligation No. 2, the Bonds or the Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Loan Agreement or from the Members under Obligation No. 2.

The Corporation hereby acknowledges that the City's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation hereunder and pursuant to Obligation No. 2 and other Revenues, together with amounts on deposit in, and investment income on, certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if the payments to be made hereunder and under Obligation No. 2 shall ever prove insufficient to pay all principal (or Redemption Price) of and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Master Trustee, the Corporation, the Members, the City or any third party, subject to any right of reimbursement therefor from the Bond Trustee, the City or any such third party, as the case may be.

Section 5.3. Expenses. The Corporation covenants and agrees to pay and to indemnify the City and the Bond Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith and arising out of or in connection with this Loan Agreement, Obligation No. 2, Supplement No. 2, the Master Indenture, the Bonds or the Bond Indenture or the transactions contemplated hereby or thereby. These obligations and those in Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder or termination of this Loan Agreement or the Bond Indenture.

Section 5.4. Indemnification. (a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the City, the Bond Trustee, and each of their

respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject or under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Bond Indenture, this Loan Agreement, Obligation No. 2, Supplement No. 2, the Master Indenture or the Tax Certificate and Agreement or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation, any Member or any agents, contractors, servants, employees or licensees of any of them in connection with the Facility, the operation of the Facility, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Facility or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the City and the Bond Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the City or the Bond Trustee in respect of any portion of the Facility;

(iv) any violation of any Environmental Regulation with respect to, or the release of any Hazardous Substances from, the Facility or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for or relating to the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for or relating to the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes;

(viii) the Bond Trustee's acceptance or administration of the trust of the Bond Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except, (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the City or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such

Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Corporation, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the reasonable judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any Persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 4.2, 5.3, 5.4 and 6.5 shall survive the final payment or defeasance of the Bonds and, in the case of the Bond Trustee, any resignation or removal. The provisions of this Section shall also survive the termination of this Loan Agreement.

Section 5.5. Tax Covenant. The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law and this Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Corporation agrees to comply with the provisions of the Tax Certificate and Agreement. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.6. Continuing Disclosure. The Corporation hereby covenants and agrees that it will enter into, comply with and carry out all of the provisions of a disclosure agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriters (as defined in the Rule). Notwithstanding any other provision of this Loan Agreement or the Bond Indenture, failure of the Corporation to enter into and comply with such a disclosure agreement shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may, and, at the request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, fees and expenses of its attorneys and advisors and additional fees and expenses of the Bond Trustee), take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.6.

Section 5.7. Waiver of Personal Liability. No member, officer, agent or employee of the City or any member, director, officer, agent or employee of the Corporation or any other Member shall be individually or personally liable for the payment of any principal of or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement, but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Events of Default. Each of the following events shall constitute and be referred to herein as a "Loan Default Event":

(a) Failure by the Corporation to pay in full any Loan Repayment on or before the day on which such Loan Repayment is due and payable;

(b) Failure of the Corporation to pay any other payment required hereunder, including without limitation Additional Payments, when due and payable;

(c) Failure of the Corporation to make any required deposit to the Reserve Account in accordance with the Bond Indenture;

(d) If any material representation or warranty made by the Corporation herein or made by the Corporation in any document, instrument or certificate furnished to the Bond Trustee or the City in connection with the issuance of Obligation No. 2 or the Bonds shall at any time prove to have been incorrect in any respect as of the time made;

(e) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) - (d) of this Section, or shall breach any warranty by the Corporation herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the City or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty-(60) day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such sixty-(60) day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(f) Any Event of Default as defined in and under the Bond Indenture; or

(g) Any Event of Default in and under the Master Indenture.

Upon having actual notice of the existence of a Loan Default Event, the Bond Trustee shall serve written notice thereof upon the Corporation and the Obligated Group Representative. As used herein, the term "actual knowledge" means the actual fact or statement of knowing without any duty to make any investigation with regard thereto.

Section 6.2. Remedies in General. Upon the occurrence and during the continuance of any Loan Default Event, the Bond Trustee on behalf of the City, at the Bond Trustee's option but subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Corporation hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Corporation's performance hereunder;

(b) By written notice to the Corporation declare an amount equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation hereunder.

Notwithstanding any other provision of this Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the payment due hereunder to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of Obligation No. 2 and all interest thereon immediately due and payable in accordance with Section 4.02 of the Master Indenture.

Section 6.3. Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case, the City, the Bond Trustee and the Corporation shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the City and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4. Remedies Cumulative. No remedy conferred upon or reserved to the City or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the City or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5. Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the City or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation shall, on demand, reimburse the City or the Bond Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 6.6. Notice of Default. As soon as is practicable and in any event within ten (10) days after the Corporation has actual knowledge of the occurrence of any event which is a Loan Default Event, the Corporation shall furnish the Bond Trustee, the City and the Obligated Group Representative notice of such event to the extent it has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Corporation proposes to take with respect thereto.

Section 6.7. Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on Obligation No. 2.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Amendments and Supplements; Waivers; Amendment of Bond Indenture. This Loan Agreement may be amended, changed or modified only as provided in Section 6.08 of the Bond Indenture.

Section 7.2. Time of the Essence; Nonbusiness Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day which is not a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3. Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the City and the Corporation and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4. Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 7.5. Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any Person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 7.6. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first-class mail, postage prepaid and addressed as follows:

If to the Corporation or the Obligated Group Representative:

Loma Linda University Medical Center
11234 Anderson Street
P.O. Box 728
Loma Linda, California 92354
Attention: Chief Financial Officer
Fax: (909) 558-7929

If to the General Conference:

General Conference of Seventh-Day Adventists
12501 Old Columbia Pike
Silver Spring, MD 20904-6600
Attention: Robert Lemmon, Treasurer

With a copy to:

General Conference of Seventh-Day Adventists
12501 Old Columbia Pike
Silver Spring, MD 20904-6600
Attention: Robert Kyte, General Counsel

If to the University:

Loma Linda University Adventist Health Sciences Center
11175 Campus Street
Loma Linda, California 92354
Attention: Kevin Lang, Chief Financial Officer

With a copy to:

Office of the General Counsel
Loma Linda University Adventist Health Sciences Center
11234 Anderson Street
Loma Linda, California 92354
Attention: Kent Hansen, General Counsel

If to the City:

City of Loma Linda
25541 Barton Road
Loma Linda, CA 92354
Attention: City Clerk
Fax: (909) 799-2890

If to the Bond Trustee:

U.S. Bank National Association
633 West Fifth Street
24th Floor
Los Angeles, CA 90071
Attention: Corporate Trust Department
Fax: _____

Notwithstanding the foregoing provisions of this Section 7.6(a), the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Bond Trustee actually receives such notice.

(b) The Corporation, the City, the Bond Trustee and the Obligated Group Representative may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7. Waiver of Personal Liability. No member, officer, agent or employee of the City or any director, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of any principal (or Redemption Price) or interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 7.8. Limited Liability. The Corporation and the City intend and agree that no organizations sponsored by the Corporation or with whom it is affiliated in any manner, including without limitation Loma Linda University, have any involvement herein, financial or otherwise, or have any liability to fulfill any of the terms or conditions hereof.

Section 7.9. Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all payments required hereunder have been made.

Section 7.10. Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 7.11. Governing Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State applicable to contracts made and performed in said State.

IN WITNESS WHEREOF, the City and the Corporation have caused this Loan Agreement to be executed in their respective names as of the date first written above.

CITY OF LOMA LINDA, CALIFORNIA

By:_____
Mayor

LOMA LINDA UNIVERSITY MEDICAL CENTER

By:_____
Authorized Officer

Approved and Agreed to:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Authorized Officer

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ESCROW AGREEMENT

by and among

CITY OF LOMA LINDA, CALIFORNIA,
as Issuer

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Bonds Trustee

Dated as of October 1, 2005

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into as of the 1st day of October, 2005, by and among the CITY OF LOMA LINDA, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), the LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation organized and existing under the laws of the State of California (the "Medical Center") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Escrow Agent hereunder (the "Escrow Agent") and as trustee with respect to the Prior Bonds (as defined below), hereinafter referred to solely for the purposes described herein, collectively, as the "Prior Bonds Trustee."

WITNESSETH:

WHEREAS, in 1982, the City and the predecessor-in-interest to the Prior Bonds Trustee entered into an Indenture of Trust (the "Original Indenture") dated as of December 1, 1982 providing for the issuance by the City of its hospital revenue bonds and the lending of the proceeds thereof to the Medical Center to finance improvements to the Medical Center's facilities in the City, which indenture was subsequently amended to provide for additional series of bonds thereunder (the Original Indenture and the thirteen amendments thereto are referred to collectively herein as the "Indenture"); and

WHEREAS, the City has previously issued, on behalf of the Medical Center, its $14,965,000 City of Loma Linda, California, Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1992-A (the "Series 1992-A Bonds"), pursuant to a tenth supplement to the Original Indenture, dated as of April 1, 1992; and

WHEREAS, the currently outstanding Series 1992-A Bonds identified in Schedule A attached hereto and incorporated herein by reference are collectively referred to herein as the "Prior Bonds" for convenience of reference and the Indenture is sometimes referred to herein as the "Prior Bonds Indenture;" and

WHEREAS, a new Master Indenture (the "Master Indenture"), dated as of October 1, 2005, has been entered into by and between the Medical Center, the Initial Members (as defined in the Master Indenture) and U.S. Bank National Association, as Master Trustee thereunder, for the purpose of fixing and declaring the terms and conditions under which obligations of the Medical Center are to be issued going forward; and

WHEREAS, the City and U.S. Bank National Association, as Bond Trustee, have entered into a Bond Indenture, dated as of October 1, 2005, pursuant to which the City, on behalf of the Medical Center, will issue its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Series 2005A Bonds"), a portion of the proceeds of which will be used to refund the Prior Bonds; and

WHEREAS, Section 14.01 of the Indenture provides that if the City shall irrevocably deposit with the Prior Bonds Trustee, in trust, Government Obligations (as herein defined) in such amount as will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Bond Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on the Prior Bonds (including all principal, premium, if any, and interest), respectively, at or before their

respective maturity dates, then (upon compliance with the opinion, escrow verification and notice requirements of the Prior Bonds Indenture) the lien of such Prior Bonds under the Prior Bonds Indenture, and all other rights granted thereby, respectively, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Prior Bonds shall no longer be deemed to be outstanding and unpaid; and

WHEREAS, the City and Medical Center wish to make such a deposit of Government Obligations with the Escrow Agent with respect to the Prior Bonds, and the City and the Medical Center wish to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Agent has full power to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to the Escrow Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Medical Center and the Escrow Agent agree as follows:

Section 1. Deposit of Moneys.

(a) As used herein, the term "Government Obligations" means the Government Obligations set forth in Schedule B attached hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The Medical Center and the City hereby deposit with the Escrow Agent $_____ constituting $_____ of the net proceeds of the Series 2005A Bonds, $_____ from the Debt Service Reserve Account within the Depreciation Reserve Fund for the Prior Bonds and $_____ transferred from the Principal and Interest Accounts within the Bond Fund for the Prior Bonds; such moneys are at least equal to an amount sufficient to purchase the principal amount of Government Obligations set forth in Schedule B attached hereto. The Government Obligations described in Schedule B are to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the City, the Medical Center, the Escrow Agent and the Prior Bonds Trustee in a fund hereby created and established and to be known as the "Series 1992-A Escrow Fund," and to be applied solely as provided in this Escrow Agreement. The aggregate principal amount of Government Obligations described in Schedule B attached hereto, together with all interest due or to become due on such Government Obligations, will be sufficient to (i) pay when due the interest and principal with respect to the Prior Bonds due on December 1, 2005, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium.

(b) The Escrow Agent hereby acknowledges receipt of the written opinion of _____, certified public accountants, dated October __, 2005 relating to the Government Obligations (the "Verification Report"), and the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated October __, 2005, and relating to this Escrow Agreement with respect to the fact that all conditions relating to the satisfaction and discharge of Bonds provided in the Indenture have been complied with.

Section 2. Use and Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees:

(a) immediately to invest $_____ of the monies described in Section 1(a) hereof in the Government Obligations set forth in Schedule B attached hereto and to deposit such Government Obligations in the Series 1992-A Escrow Fund, and to hold $_____ uninvested as cash; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

Section 3. Payment of Prior Bonds.

(a) Payment. As the principal of the Government Obligations set forth in Schedule B attached hereto and the investment income and earnings thereon are paid, the Escrow Agent shall transfer from the Series 1992-A Escrow Fund to the Prior Bonds Trustee amounts sufficient to (i) pay on December 1, 2005 the principal and interest evidenced by the Prior Bonds, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium. Such transfers shall constitute the payments of the principal and interest with respect to the Prior Bonds due from the City.

(b) Unclaimed Moneys. Any moneys held for payment of Prior Bonds which remain unclaimed for two (2) years after December 1, 2005, shall, at the written request of the City, be repaid by the Escrow Agent to the City, provided, however, that the Escrow Agent upon receiving such written request shall first publish a notice that said moneys remain unclaimed in accordance with the applicable Prior Bonds Indenture.

(c) Priority of Payments. The holders of the Prior Bonds shall have a first lien on the moneys and Government Obligations in the Series 1992-A Escrow Fund which are allowable and sufficient to pay the Prior Bonds until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Series 1992-A Escrow Fund are irrevocably pledged only to the owners of the Prior Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Agent pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Government Obligations as provided in Section 2 hereof, the holders of the Prior Bonds shall cease to be entitled to any lien, benefit or security under the Indenture.

Section 4. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

Section 5. Reinvestment. Upon written direction of the Medical Center and the City, the Escrow Agent may reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable Government Obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Series 1992-A Escrow Fund to the paying agent for the payment of the principal of, redemption price of, and interest on the Prior Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized bond counsel to the effect that such reinvestment will not adversely affect

the exclusion from gross income of interest with respect to the Series 2005A Bonds or the Prior Bonds, (iii) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Series 1992-A Escrow Fund will, together with other cash on deposit in the Series 1992-A Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Escrow Agreement. Except as provided in this Section 5 and Section 8 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Government Obligations held hereunder. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 6. **Indemnity.** The Medical Center hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Medical Center or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Series 1992-A Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Medical Center shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Medical Center or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Agreement.

Section 7. **Responsibilities of the Escrow Agent.** The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Series 1992-A Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof, the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Medical Center and the Escrow Agent assumes no responsibility

for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or to the validity of this Escrow Agreement as to the City or the Medical Center and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City or the Medical Center.

Section 8. Substitution of Government Obligations. At the written request of the City and the Medical Center and upon compliance with the conditions hereinafter set forth, the Escrow Agent shall have the power to sell, transfer, request the redemption or otherwise dispose of some or all of the Government Obligations in the Series 1992-A Escrow Fund and to substitute noncallable nonprepayable obligations (the "Substitute Government Obligations") constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America as contemplated by Prior Bonds Indenture. Except as otherwise provided in Section 5, the foregoing may be effected only if: (i) the substitution of Substitute Government Obligations for the Government Obligations (or Substitute Government Obligations) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Series 1992-A Escrow Fund to the trustee for the payment of the principal of and/or redemption price of and/or interest on the Prior Bonds will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such disposition and substitution would not adversely affect the exclusion from gross income of interest with respect to the Prior Bonds or the Series 2005A Bonds, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Escrow Agreement; and (iv) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such transaction, the principal of and interest on the Substitute Government Obligations in the Series 1992-A Escrow Fund will, together with other cash on deposit in the Series 1992-A Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds. Any cash from the sale of Government Obligations (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Government Obligations pursuant to this Section 8 to the extent such cash will not be required, in accordance with the Indenture, this Escrow Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or redemption price of or interest evidenced by the Prior Bonds shall be paid to the Medical Center as received by the Escrow Agent free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Escrow Agreement. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 9. **Irrevocable Instructions as to Notice.** The Escrow Agent hereby acknowledges that upon the funding of the Series 1992-A Escrow Fund as provided in this Escrow Agreement, the receipt of the opinions described in Section 1(b) of this Escrow Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Trustee and Escrow Agent attached hereto as Schedule C, the Prior Bonds shall be paid in accordance with the Indenture and the liens, rights and interest granted under the Indenture with respect to the Prior Bonds shall cease and become null and void.

Section 10. **Amendments.** This Escrow Agreement is made for the benefit of the City, the Medical Center and the holders from time to time of the Prior Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent, the City and the Medical Center; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Series 2005A Bonds and the Prior Bonds will not be adversely affected for federal income tax purposes, that the City, the Medical Center and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Escrow Agreement, this Escrow Agreement shall prevail and be binding.

Section 11. **Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Prior Bonds have been paid in accordance with this Escrow Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(b) of this Escrow Agreement.

Section 12. **Compensation.** The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Series 1992-A Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

Section 13. **Resignation or Removal of Escrow Agent.**

(a) The Escrow Agent may resign by giving notice in writing to the City, the

Medical Center and the Bond Insurer (as defined in the Indenture), which notice shall be published once in a newspaper of general circulation published at least once each calendar week in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York. The Escrow Agent may be removed (1) by (i) filing with the Escrow Agent of an instrument or instruments executed by the City, the Medical Center and the Bond Insurer, (ii) the publishing of such notice at least 60 days prior to the effective date of said removal in a newspaper of general circulation in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York, and (iii) the delivery of a copy of the instruments filed with the City and the Medical Center to the Escrow Agent or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by any or all of the City, the Bond Insurer, the Medical Center or the holders of 5% in aggregate principal amount of the Prior Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the City and the Medical Center, with the written consent of the Bond Insurer. Notice of such appointment shall be published in accordance with the requirements more specifically set forth in clause (1) (ii) of subsection (a) of this Section. Within one year after a vacancy, the holders of a majority in principal amount of the Prior Bonds then remaining unpaid may, by an instrument or instruments filed with the City and the Medical Center, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the City and the Medical Center. If no successor Escrow Agent is appointed by the City and the Medical Center or the holders of such Prior Bonds then remaining unpaid, within 30 days after any such resignation or removal, the holder of any such Prior Bond or any retiring Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

Section 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 16. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

Section 17. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the

principal office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 18. **Assignment.** This Escrow Agreement shall not be assigned by any party without the prior written consent of each of the other parties hereto.

Section 19. **Moody's and Standard and Poor's.** The City agrees to provide to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 14 hereof.

Section 20. **Reorganization of Escrow Agent.** Notwithstanding anything to the contrary contained in this Escrow Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

IN WITNESS WHEREOF, the City, the Medical Center and the Escrow Agent have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: Mayor

ATTEST:

_____
City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

LOMA LINDA UNIVERSITY MEDICAL CENTER

By: _____
Its: Authorized Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent and Prior Bonds Trustee

By: _____
Its: Authorized Officer

SCHEDULE A

SERIES 1992-A PRIOR BONDS

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$485,000	12/1/05	6.550%	12/01/05
520,000	12/1/06	6.550	12/01/05
555,000	12/1/07	6.550	12/01/05
590,000	12/1/08	6.550	12/01/05
630,000	12/1/09	6.550	12/01/05
670,000	12/1/10	6.550	12/01/05
710,000	12/1/11	6.550	12/01/05
760,000	12/1/12	6.550	12/01/05
810,000	12/1/13	6.550	12/01/05
860,000	12/1/14	6.550	12/01/05
920,000	12/1/15	6.550	12/01/05
980,000	12/1/16	6.550	12/01/05
1,040,000	12/1/17	6.550	12/01/05
1,110,000	12/1/18	6.550	12/01/05

SCHEDULE B

"Government Obligations" are defined to be, and shall be, as follows:

Type	Coupon	Maturity Date	Par Amount
_____	_____%	12/1/05	$_____

SCHEDULE C-1

IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW AGENT

October __, 2005

U.S. Bank National Association
Los Angeles, California

Ladies and Gentlemen:

As Escrow Agent with respect to the Prior Bonds as defined in that certain Escrow Agreement dated as of October 1, 2005, by and among the City of Loma Linda, California, Loma Linda University Medical Center and U.S. Bank National Association (the "Escrow Agreement"), you are hereby notified of the irrevocable election of the City of Loma Linda, California (i) to pay the principal of and interest on the Prior Bonds due on December 1, 2005, and to redeem on December 1, 2005 the outstanding principal of such Prior Bonds maturing on and after December 1, 2006 at a redemption price of 100% of the principal amount thereof to be so redeemed.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: City Manager

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Its: Authorized Officer

EXHIBIT X-1

NOTICE OF REDEMPTION OF
City of Loma Linda, California
Hospital Revenue Refunding Bonds
(Loma Linda University Medical Center Project)
Series 1992-A

Notice is hereby given to the holders of the outstanding City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1992-A maturing on and after December 1, 2005 (the "Prior Bonds"), listed on the attached Schedule A, that such Prior Bonds have been called for redemption prior to maturity in accordance with their terms at a redemption price of 100% of the principal amount thereof, together with accrued interest evidenced thereby to December 1, 2005.

The redemption price of the Prior Bonds shall become due and payable on December 1, 2005, and the interest on the Prior Bonds shall cease to accrue from and after such date, and on said date there will become due and payable the principal amount of the Prior Bonds plus accrued interest to such date.

Owners of the Prior Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the principal corporate trust office of U.S. Bank National Association at Los Angeles, California.

Dated this _____ day of _____, 2005

CITY OF LOMA LINDA, CALIFORNIA

U.S. BANK NATIONAL ASSOCIATION, as Trustee

SCHEDULE A

SERIES 1992-A BONDS OUTSTANDING

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$485,000	12/1/05	6.550%	12/01/05
520,000	12/1/06	6.550	12/01/05
555,000	12/1/07	6.550	12/01/05
590,000	12/1/08	6.550	12/01/05
630,000	12/1/09	6.550	12/01/05
670,000	12/1/10	6.550	12/01/05
710,000	12/1/11	6.550	12/01/05
760,000	12/1/12	6.550	12/01/05
810,000	12/1/13	6.550	12/01/05
860,000	12/1/14	6.550	12/01/05
920,000	12/1/15	6.550	12/01/05
980,000	12/1/16	6.550	12/01/05
1,040,000	12/1/17	6.550	12/01/05
1,110,000	12/1/18	6.550	12/01/05

ESCROW AGREEMENT

by and among

CITY OF LOMA LINDA, CALIFORNIA,
as Issuer

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Bonds Trustee

Dated as of October 1, 2005

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into as of the 1st day of October, 2005, by and among the CITY OF LOMA LINDA, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), the LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation organized and existing under the laws of the State of California (the "Medical Center") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Escrow Agent hereunder (the "Escrow Agent") and as trustee with respect to the Prior Bonds (as defined below), hereinafter referred to solely for the purposes described herein, collectively, as the "Prior Bonds Trustee."

WITNESSETH:

WHEREAS, in 1982, the City and the predecessor-in-interest to the Prior Bonds Trustee entered into an Indenture of Trust (the "Original Indenture") dated as of December 1, 1982 providing for the issuance by the City of its hospital revenue bonds and the lending of the proceeds thereof to the Medical Center to finance improvements to the Medical Center's facilities in the City, which indenture was subsequently amended to provide for additional series of bonds thereunder (the Original Indenture and the thirteen amendments thereto are referred to collectively herein as the "Indenture"); and

WHEREAS, the City has previously issued, on behalf of the Medical Center, its $62,565,000 City of Loma Linda, California, Hospital Revenue Bonds (Loma Linda University Medical Center Project) Series 1993-A (the "Series 1993-A Bonds"), pursuant to an eleventh supplement to the Original Indenture, dated as of July 1, 1993; and

WHEREAS, the currently outstanding Series 1993-A Bonds identified in Schedule A attached hereto and incorporated herein by reference are collectively referred to herein as the "Prior Bonds" for convenience of reference and the Indenture is sometimes referred to herein as the "Prior Bonds Indenture;" and

WHEREAS, a new Master Indenture (the "Master Indenture"), dated as of October 1, 2005, has been entered into by and between the Medical Center, the Initial Members (as defined in the Master Indenture) and U.S. Bank National Association, as Master Trustee thereunder, for the purpose of fixing and declaring the terms and conditions under which obligations of the Medical Center are to be issued going forward; and

WHEREAS, the City and U.S. Bank National Association, as Bond Trustee, have entered into a Bond Indenture, dated as of October 1, 2005, pursuant to which the City, on behalf of the Medical Center, will issue its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Series 2005A Bonds"), a portion of the proceeds of which will be used to refund the Prior Bonds; and

WHEREAS, Section 14.01 of the Indenture provides that if the City shall irrevocably deposit with the Prior Bonds Trustee, in trust, Government Obligations (as herein defined) in such amount as will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Bond Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on the Prior Bonds (including all principal, premium, if any, and interest), respectively, at or before their

respective maturity dates, then (upon compliance with the opinion, escrow verification and notice requirements of the Prior Bonds Indenture) the lien of such Prior Bonds under the Prior Bonds Indenture, and all other rights granted thereby, respectively, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Prior Bonds shall no longer be deemed to be outstanding and unpaid; and

WHEREAS, the City and Medical Center wish to make such a deposit of Government Obligations with the Escrow Agent with respect to the Prior Bonds, and the City and the Medical Center wish to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Agent has full power to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to the Escrow Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Medical Center and the Escrow Agent agree as follows:

Section 1. Deposit of Moneys.

(a) As used herein, the term "Government Obligations" means the Government Obligations set forth in Schedule B attached hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The Medical Center and the City hereby deposit with the Escrow Agent $_____ constituting $_____ of the net proceeds of the Series 2005A Bonds, $_____ from the Debt Service Reserve Account within the Depreciation Reserve Fund for the Prior Bonds and $_____ transferred from the Principal and Interest Accounts within the Bond Fund for the Prior Bonds; such moneys are at least equal to an amount sufficient to purchase the principal amount of Government Obligations set forth in Schedule B attached hereto. The Government Obligations described in Schedule B are to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the City, the Medical Center, the Escrow Agent and the Prior Bonds Trustee in a fund hereby created and established and to be known as the "Series 1993-A Escrow Fund," and to be applied solely as provided in this Escrow Agreement. The aggregate principal amount of Government Obligations described in Schedule B attached hereto, together with all interest due or to become due on such Government Obligations, will be sufficient to (i) pay when due the interest and principal with respect to the Prior Bonds due on December 1, 2005, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium.

(b) The Escrow Agent hereby acknowledges receipt of the written opinion of _____, certified public accountants, dated October __, 2005 relating to the Government Obligations (the "Verification Report"), and the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated October __, 2005, and relating to this Escrow Agreement with respect to the fact that all conditions relating to the satisfaction and discharge of Bonds provided in the Indenture have been complied with.

Section 2. Use and Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees:

(a) immediately to invest $_____ of the monies described in Section 1(a) hereof in the Government Obligations set forth in Schedule B attached hereto and to deposit such Government Obligations in the Series 1993-A Escrow Fund, and to hold $_____ uninvested as cash; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

Section 3. Payment of Prior Bonds.

(a) Payment. As the principal of the Government Obligations set forth in Schedule B attached hereto and the investment income and earnings thereon are paid, the Escrow Agent shall transfer from the Series 1993-A Escrow Fund to the Prior Bonds Trustee amounts sufficient to (i) pay on December 1, 2005 the principal and interest evidenced by the Prior Bonds, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium. Such transfers shall constitute the payments of the principal and interest with respect to the Prior Bonds due from the City.

(b) Unclaimed Moneys. Any moneys held for payment of Prior Bonds which remain unclaimed for two (2) years after December 1, 2005, shall, at the written request of the City, be repaid by the Escrow Agent to the City, provided, however, that the Escrow Agent upon receiving such written request shall first publish a notice that said moneys remain unclaimed in accordance with the applicable Prior Bonds Indenture.

(c) Priority of Payments. The holders of the Prior Bonds shall have a first lien on the moneys and Government Obligations in the Series 1993-A Escrow Fund which are allowable and sufficient to pay the Prior Bonds until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Series 1993-A Escrow Fund are irrevocably pledged only to the owners of the Prior Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Agent pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Government Obligations as provided in Section 2 hereof, the holders of the Prior Bonds shall cease to be entitled to any lien, benefit or security under the Indenture.

Section 4. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

Section 5. Reinvestment. Upon written direction of the Medical Center and the City, the Escrow Agent may reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable Government Obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Series 1993-A Escrow Fund to the paying agent for the payment of the principal of, redemption price of, and interest on the Prior Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized bond counsel to the effect that such reinvestment will not adversely affect

the exclusion from gross income of interest with respect to the Series 2005A Bonds or the Prior Bonds, (iii) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Series 1993-A Escrow Fund will, together with other cash on deposit in the Series 1993-A Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Escrow Agreement. Except as provided in this Section 5 and Section 8 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Government Obligations held hereunder. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 6. **Indemnity.** The Medical Center hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Medical Center or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Series 1993-A Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Medical Center shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Medical Center or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Agreement.

Section 7. **Responsibilities of the Escrow Agent.** The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Series 1993-A Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof, the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Medical Center and the Escrow Agent assumes no responsibility

for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or to the validity of this Escrow Agreement as to the City or the Medical Center and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City or the Medical Center.

Section 8. Substitution of Government Obligations. At the written request of the City and the Medical Center and upon compliance with the conditions hereinafter set forth, the Escrow Agent shall have the power to sell, transfer, request the redemption or otherwise dispose of some or all of the Government Obligations in the Series 1993-A Escrow Fund and to substitute noncallable nonprepayable obligations (the "Substitute Government Obligations") constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America as contemplated by Prior Bonds Indenture. Except as otherwise provided in Section 5, the foregoing may be effected only if: (i) the substitution of Substitute Government Obligations for the Government Obligations (or Substitute Government Obligations) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Series 1993-A Escrow Fund to the trustee for the payment of the principal of and/or redemption price of and/or interest on the Prior Bonds will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such disposition and substitution would not adversely affect the exclusion from gross income of interest with respect to the Prior Bonds or the Series 2005A Bonds, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Escrow Agreement; and (iv) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such transaction, the principal of and interest on the Substitute Government Obligations in the Series 1993-A Escrow Fund will, together with other cash on deposit in the Series 1993-A Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds. Any cash from the sale of Government Obligations (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Government Obligations pursuant to this Section 8 to the extent such cash will not be required, in accordance with the Indenture, this Escrow Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or redemption price of or interest evidenced by the Prior Bonds shall be paid to the Medical Center as received by the Escrow Agent free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Escrow Agreement. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 9. **Irrevocable Instructions as to Notice.** The Escrow Agent hereby acknowledges that upon the funding of the Series 1993-A Escrow Fund as provided in this Escrow Agreement, the receipt of the opinions described in Section 1(b) of this Escrow Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Trustee and Escrow Agent attached hereto as Schedule C, the Prior Bonds shall be paid in accordance with the Indenture and the liens, rights and interest granted under the Indenture with respect to the Prior Bonds shall cease and become null and void.

Section 10. **Amendments.** This Escrow Agreement is made for the benefit of the City, the Medical Center and the holders from time to time of the Prior Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent, the City and the Medical Center; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Series 2005A Bonds and the Prior Bonds will not be adversely affected for federal income tax purposes, that the City, the Medical Center and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Escrow Agreement, this Escrow Agreement shall prevail and be binding.

Section 11. **Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Prior Bonds have been paid in accordance with this Escrow Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(b) of this Escrow Agreement.

Section 12. **Compensation.** The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Series 1993-A Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

Section 13. **Resignation or Removal of Escrow Agent.**

(a) The Escrow Agent may resign by giving notice in writing to the City, the

Medical Center and the Bond Insurer (as defined in the Indenture), which notice shall be published once in a newspaper of general circulation published at least once each calendar week in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York. The Escrow Agent may be removed (1) by (i) filing with the Escrow Agent of an instrument or instruments executed by the City, the Medical Center and the Bond Insurer, (ii) the publishing of such notice at least 60 days prior to the effective date of said removal in a newspaper of general circulation in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York, and (iii) the delivery of a copy of the instruments filed with the City and the Medical Center to the Escrow Agent or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by any or all of the City, the Bond Insurer, the Medical Center or the holders of 5% in aggregate principal amount of the Prior Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the City and the Medical Center, with the written consent of the Bond Insurer. Notice of such appointment shall be published in accordance with the requirements more specifically set forth in clause (1) (ii) of subsection (a) of this Section. Within one year after a vacancy, the holders of a majority in principal amount of the Prior Bonds then remaining unpaid may, by an instrument or instruments filed with the City and the Medical Center, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the City and the Medical Center. If no successor Escrow Agent is appointed by the City and the Medical Center or the holders of such Prior Bonds then remaining unpaid, within 30 days after any such resignation or removal, the holder of any such Prior Bond or any retiring Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

Section 14. **Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. **Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 16. **Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

Section 17. **Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the

principal office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 18. **Assignment.** This Escrow Agreement shall not be assigned by any party without the prior written consent of each of the other parties hereto.

Section 19. **Moody's and Standard and Poor's.** The City agrees to provide to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 14 hereof.

Section 20. **Reorganization of Escrow Agent.** Notwithstanding anything to the contrary contained in this Escrow Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

IN WITNESS WHEREOF, the City, the Medical Center and the Escrow Agent have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: Mayor

ATTEST:

_____
City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

LOMA LINDA UNIVERSITY MEDICAL CENTER

By: _____
Its: Authorized Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent and Prior Bonds Trustee

By: _____

Its: Authorized Officer

SCHEDULE A

SERIES 1993-A PRIOR BONDS

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$1,490,000	12/1/05	6.000%	12/01/05
1,580,000	12/1/06	6.000	12/01/05
1,675,000	12/1/07	6.500	12/01/05
1,785,000	12/1/08	6.500	12/01/05
1,900,000	12/1/09	6.500	12/01/05
2,025,000	12/1/10	6.500	12/01/05
2,155,000	12/1/11	6.500	12/01/05
2,295,000	12/1/12	6.500	12/01/05
2,445,000	12/1/13	6.500	12/01/05
2,605,000	12/1/14	6.500	12/01/05
2,775,000	12/1/15	6.500	12/01/05
2,955,000	12/1/16	6.500	12/01/05
3,145,000	12/1/17	6.500	12/01/05
3,350,000	12/1/18	6.500	12/01/05
3,570,000	12/1/19	6.000	12/01/05
3,785,000	12/1/20	6.000	12/01/05
4,010,000	12/1/21	6.000	12/01/05
4,250,000	12/1/22	6.000	12/01/05
4,505,000	12/1/23	6.000	12/01/05

SCHEDULE B

"Government Obligations" are defined to be, and shall be, as follows:

Type	Coupon	Maturity Date	Par Amount
_____	_____%	12/1/05	$_____

SCHEDULE C-1

IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW AGENT

October __, 2005

U.S. Bank National Association
Los Angeles, California

Ladies and Gentlemen:

As Escrow Agent with respect to the Prior Bonds as defined in that certain Escrow Agreement dated as of October 1, 2005, by and among the City of Loma Linda, California, Loma Linda University Medical Center and U.S. Bank National Association (the "Escrow Agreement"), you are hereby notified of the irrevocable election of the City of Loma Linda, California (i) to pay the principal of and interest on the Prior Bonds due on December 1, 2005, and to redeem on December 1, 2005 the outstanding principal of such Prior Bonds maturing on and after December 1, 2006 at a redemption price of 100% of the principal amount thereof to be so redeemed.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: City Manager

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Its: Authorized Officer

EXHIBIT X-1

NOTICE OF REDEMPTION OF
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center Project)
Series 1993-A

Notice is hereby given to the holders of the outstanding City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A maturing on and after December 1, 2005 (the "Prior Bonds"), listed on the attached Schedule A, that such Prior Bonds have been called for redemption prior to maturity in accordance with their terms at a redemption price of 100% of the principal amount thereof, together with accrued interest evidenced thereby to December 1, 2005.

The redemption price of the Prior Bonds shall become due and payable on December 1, 2005, and the interest on the Prior Bonds shall cease to accrue from and after such date, and on said date there will become due and payable the principal amount of the Prior Bonds plus accrued interest to such date.

Owners of the Prior Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the principal corporate trust office of U.S. Bank National Association at Los Angeles, California.

Dated this _____ day of _____, 2005

CITY OF LOMA LINDA, CALIFORNIA

U.S. BANK NATIONAL ASSOCIATION, as Trustee

SCHEDULE A

SERIES 1993-A BONDS OUTSTANDING

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$1,490,000	12/1/05	6.000%	12/01/05
1,580,000	12/1/06	6.000	12/01/05
1,675,000	12/1/07	6.500	12/01/05
1,785,000	12/1/08	6.500	12/01/05
1,900,000	12/1/09	6.500	12/01/05
2,025,000	12/1/10	6.500	12/01/05
2,155,000	12/1/11	6.500	12/01/05
2,295,000	12/1/12	6.500	12/01/05
2,445,000	12/1/13	6.500	12/01/05
2,605,000	12/1/14	6.500	12/01/05
2,775,000	12/1/15	6.500	12/01/05
2,955,000	12/1/16	6.500	12/01/05
3,145,000	12/1/17	6.500	12/01/05
3,350,000	12/1/18	6.500	12/01/05
3,570,000	12/1/19	6.000	12/01/05
3,785,000	12/1/20	6.000	12/01/05
4,010,000	12/1/21	6.000	12/01/05
4,250,000	12/1/22	6.000	12/01/05
4,505,000	12/1/23	6.000	12/01/05

ESCROW AGREEMENT

by and among

CITY OF LOMA LINDA, CALIFORNIA,
as Issuer

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Bonds Trustee

Dated as of October 1, 2005

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into as of the 1st day of October, 2005, by and among the CITY OF LOMA LINDA, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), the LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation organized and existing under the laws of the State of California (the "Medical Center") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Escrow Agent hereunder (the "Escrow Agent") and as trustee with respect to the Prior Bonds (as defined below), hereinafter referred to solely for the purposes described herein, collectively, as the "Prior Bonds Trustee."

WITNESSETH:

WHEREAS, in 1982, the City and the predecessor-in-interest to the Prior Bonds Trustee entered into an Indenture of Trust (the "Original Indenture") dated as of December 1, 1982 providing for the issuance by the City of its hospital revenue bonds and the lending of the proceeds thereof to the Medical Center to finance improvements to the Medical Center's facilities in the City, which indenture was subsequently amended to provide for additional series of bonds thereunder (the Original Indenture and the thirteen amendments thereto are referred to collectively herein as the "Indenture"); and

WHEREAS, the City has previously issued, on behalf of the Medical Center, its $20,105,000 City of Loma Linda, California, Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1993-B (the "Series 1993-B Bonds"), pursuant to a tenth supplement to the Original Indenture, dated as of September 1, 1993; and

WHEREAS, the currently outstanding Series 1993-B Bonds identified in Schedule A attached hereto and incorporated herein by reference are collectively referred to herein as the "Prior Bonds" for convenience of reference and the Indenture is sometimes referred to herein as the "Prior Bonds Indenture;" and

WHEREAS, a new Master Indenture (the "Master Indenture"), dated as of October 1, 2005, has been entered into by and between the Medical Center, the Initial Members (as defined in the Master Indenture) and U.S. Bank National Association, as Master Trustee thereunder, for the purpose of fixing and declaring the terms and conditions under which obligations of the Medical Center are to be issued going forward; and

WHEREAS, the City and U.S. Bank National Association, as Bond Trustee, have entered into a Bond Indenture, dated as of October 1, 2005, pursuant to which the City, on behalf of the Medical Center, will issue its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Series 2005A Bonds"), a portion of the proceeds of which will be used to refund the Prior Bonds; and

WHEREAS, Section 14.01 of the Indenture provides that if the City shall irrevocably deposit with the Prior Bonds Trustee, in trust, Government Obligations (as herein defined) in such amount as will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Bond Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on the Prior Bonds (including all principal, premium, if any, and interest), respectively, at or before their

respective maturity dates, then (upon compliance with the opinion, escrow verification and notice requirements of the Prior Bonds Indenture) the lien of such Prior Bonds under the Prior Bonds Indenture, and all other rights granted thereby, respectively, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Prior Bonds shall no longer be deemed to be outstanding and unpaid; and

WHEREAS, the City and Medical Center wish to make such a deposit of Government Obligations with the Escrow Agent with respect to the Prior Bonds, and the City and the Medical Center wish to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Agent has full power to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to the Escrow Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Medical Center and the Escrow Agent agree as follows:

Section 1. Deposit of Moneys.

(a) As used herein, the term "Government Obligations" means the Government Obligations set forth in Schedule B attached hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The Medical Center and the City hereby deposit with the Escrow Agent $_____ constituting $_____ of the net proceeds of the Series 2005A Bonds, $_____ from the Debt Service Reserve Account within the Depreciation Reserve Fund for the Prior Bonds and $_____ transferred from the Principal and Interest Accounts within the Bond Fund for the Prior Bonds; such moneys are at least equal to an amount sufficient to purchase the principal amount of Government Obligations set forth in Schedule B attached hereto. The Government Obligations described in Schedule B are to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the City, the Medical Center, the Escrow Agent and the Prior Bonds Trustee in a fund hereby created and established and to be known as the "Series 1993-B Escrow Fund," and to be applied solely as provided in this Escrow Agreement. The aggregate principal amount of Government Obligations described in Schedule B attached hereto, together with all interest due or to become due on such Government Obligations, will be sufficient to (i) pay when due the interest and principal with respect to the Prior Bonds due on December 1, 2005, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium.

(b) The Escrow Agent hereby acknowledges receipt of the written opinion of _____, certified public accountants, dated October __, 2005 relating to the Government Obligations (the "Verification Report"), and the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated October __, 2005, and relating to this Escrow Agreement with respect to the fact that all conditions relating to the satisfaction and discharge of Bonds provided in the Indenture have been complied with.

Section 2. Use and Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees:

(a) immediately to invest $_____ of the monies described in Section 1(a) hereof in the Government Obligations set forth in Schedule B attached hereto and to deposit such Government Obligations in the Series 1993-B Escrow Fund, and to hold $_____ uninvested as cash; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

Section 3. Payment of Prior Bonds.

(a) Payment. As the principal of the Government Obligations set forth in Schedule B attached hereto and the investment income and earnings thereon are paid, the Escrow Agent shall transfer from the Series 1993-B Escrow Fund to the Prior Bonds Trustee amounts sufficient to (i) pay on December 1, 2005 the principal and interest evidenced by the Prior Bonds, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium. Such transfers shall constitute the payments of the principal and interest with respect to the Prior Bonds due from the City.

(b) Unclaimed Moneys. Any moneys held for payment of Prior Bonds which remain unclaimed for two (2) years after December 1, 2005, shall, at the written request of the City, be repaid by the Escrow Agent to the City, provided, however, that the Escrow Agent upon receiving such written request shall first publish a notice that said moneys remain unclaimed in accordance with the applicable Prior Bonds Indenture.

(c) Priority of Payments. The holders of the Prior Bonds shall have a first lien on the moneys and Government Obligations in the Series 1993-B Escrow Fund which are allowable and sufficient to pay the Prior Bonds until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Series 1993-B Escrow Fund are irrevocably pledged only to the owners of the Prior Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Agent pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Government Obligations as provided in Section 2 hereof, the holders of the Prior Bonds shall cease to be entitled to any lien, benefit or security under the Indenture.

Section 4. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

Section 5. Reinvestment. Upon written direction of the Medical Center and the City, the Escrow Agent may reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable Government Obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Series 1993-B Escrow Fund to the paying agent for the payment of the principal of, redemption price of, and interest on the Prior Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized bond counsel to the effect that such reinvestment will not adversely affect

the exclusion from gross income of interest with respect to the Series 2005A Bonds or the Prior Bonds, (iii) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Series 1993-B Escrow Fund will, together with other cash on deposit in the Series 1993-B Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Escrow Agreement. Except as provided in this Section 5 and Section 8 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Government Obligations held hereunder. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 6. **Indemnity.** The Medical Center hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Medical Center or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Series 1993-B Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Medical Center shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Medical Center or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Agreement.

Section 7. **Responsibilities of the Escrow Agent.** The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Series 1993-B Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof, the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Medical Center and the Escrow Agent assumes no responsibility

for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or to the validity of this Escrow Agreement as to the City or the Medical Center and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City or the Medical Center.

Section 8. **Substitution of Government Obligations.** At the written request of the City and the Medical Center and upon compliance with the conditions hereinafter set forth, the Escrow Agent shall have the power to sell, transfer, request the redemption or otherwise dispose of some or all of the Government Obligations in the Series 1993-B Escrow Fund and to substitute noncallable nonprepayable obligations (the "Substitute Government Obligations") constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America as contemplated by Prior Bonds Indenture. Except as otherwise provided in Section 5, the foregoing may be effected only if: (i) the substitution of Substitute Government Obligations for the Government Obligations (or Substitute Government Obligations) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Series 1993-B Escrow Fund to the trustee for the payment of the principal of and/or redemption price of and/or interest on the Prior Bonds will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such disposition and substitution would not adversely affect the exclusion from gross income of interest with respect to the Prior Bonds or the Series 2005A Bonds, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Escrow Agreement; and (iv) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such transaction, the principal of and interest on the Substitute Government Obligations in the Series 1993-B Escrow Fund will, together with other cash on deposit in the Series 1993-B Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds. Any cash from the sale of Government Obligations (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Government Obligations pursuant to this Section 8 to the extent such cash will not be required, in accordance with the Indenture, this Escrow Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or redemption price of or interest evidenced by the Prior Bonds shall be paid to the Medical Center as received by the Escrow Agent free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Escrow Agreement. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 9. **Irrevocable Instructions as to Notice.** The Escrow Agent hereby acknowledges that upon the funding of the Series 1993-B Escrow Fund as provided in this Escrow Agreement, the receipt of the opinions described in Section 1(b) of this Escrow Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Trustee and Escrow Agent attached hereto as Schedule C, the Prior Bonds shall be paid in accordance with the Indenture and the liens, rights and interest granted under the Indenture with respect to the Prior Bonds shall cease and become null and void.

Section 10. **Amendments.** This Escrow Agreement is made for the benefit of the City, the Medical Center and the holders from time to time of the Prior Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent, the City and the Medical Center; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Series 2005A Bonds and the Prior Bonds will not be adversely affected for federal income tax purposes, that the City, the Medical Center and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Escrow Agreement, this Escrow Agreement shall prevail and be binding.

Section 11. **Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Prior Bonds have been paid in accordance with this Escrow Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(b) of this Escrow Agreement.

Section 12. **Compensation.** The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Series 1993-B Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

Section 13. **Resignation or Removal of Escrow Agent.**

(a) The Escrow Agent may resign by giving notice in writing to the City, the

Medical Center and the Bond Insurer (as defined in the Indenture), which notice shall be published once in a newspaper of general circulation published at least once each calendar week in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York. The Escrow Agent may be removed (1) by (i) filing with the Escrow Agent of an instrument or instruments executed by the City, the Medical Center and the Bond Insurer, (ii) the publishing of such notice at least 60 days prior to the effective date of said removal in a newspaper of general circulation in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York, and (iii) the delivery of a copy of the instruments filed with the City and the Medical Center to the Escrow Agent or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by any or all of the City, the Bond Insurer, the Medical Center or the holders of 5% in aggregate principal amount of the Prior Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the City and the Medical Center, with the written consent of the Bond Insurer. Notice of such appointment shall be published in accordance with the requirements more specifically set forth in clause (1) (ii) of subsection (a) of this Section. Within one year after a vacancy, the holders of a majority in principal amount of the Prior Bonds then remaining unpaid may, by an instrument or instruments filed with the City and the Medical Center, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the City and the Medical Center. If no successor Escrow Agent is appointed by the City and the Medical Center or the holders of such Prior Bonds then remaining unpaid, within 30 days after any such resignation or removal, the holder of any such Prior Bond or any retiring Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

Section 14. **Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. **Counterparts.** This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 16. **Governing Law.** This Escrow Agreement shall be construed under the laws of the State of California.

Section 17. **Holidays.** If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the

principal office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 18. **Assignment.** This Escrow Agreement shall not be assigned by any party without the prior written consent of each of the other parties hereto.

Section 19. **Moody's and Standard and Poor's.** The City agrees to provide to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 14 hereof.

Section 20. **Reorganization of Escrow Agent.** Notwithstanding anything to the contrary contained in this Escrow Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

IN WITNESS WHEREOF, the City, the Medical Center and the Escrow Agent have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: Mayor

ATTEST:

_____
City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

LOMA LINDA UNIVERSITY MEDICAL CENTER

By: _____
Its: Authorized Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent and Prior Bonds Trustee

By: _____
Its: Authorized Officer

SCHEDULE A

SERIES 1993-B PRIOR BONDS

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$605,000	12/1/05	4.500%	12/01/05
630,000	12/1/06	5.000	12/01/05
665,000	12/1/07	5.000	12/01/05
695,000	12/1/08	5.000	12/01/05
735,000	12/1/09	5.000	12/01/05
770,000	12/1/10	5.000	12/01/05
810,000	12/1/11	5.000	12/01/05
850,000	12/1/12	5.000	12/01/05
890,000	12/1/13	5.000	12/01/05
935,000	12/1/14	5.000	12/01/05
980,000	12/1/15	5.000	12/01/05
1,035,000	12/1/16	5.000	12/01/05
1,085,000	12/1/17	5.000	12/01/05
1,140,000	12/1/18	5.000	12/01/05
1,195,000	12/1/19	5.000	12/01/05
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1,385,000	12/1/22	5.000	12/01/05

SCHEDULE B

"Government Obligations" are defined to be, and shall be, as follows:

Type	Coupon	Maturity Date	Par Amount
_____	_____%	12/1/05	$_____

SCHEDULE C-1

IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW AGENT

October __, 2005

U.S. Bank National Association
Los Angeles, California

Ladies and Gentlemen:

As Escrow Agent with respect to the Prior Bonds as defined in that certain Escrow Agreement dated as of October 1, 2005, by and among the City of Loma Linda, California, Loma Linda University Medical Center and U.S. Bank National Association (the "Escrow Agreement"), you are hereby notified of the irrevocable election of the City of Loma Linda, California (i) to pay the principal of and interest on the Prior Bonds due on December 1, 2005, and to redeem on December 1, 2005 the outstanding principal of such Prior Bonds maturing on and after December 1, 2006 at a redemption price of 100% of the principal amount thereof to be so redeemed.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: City Manager

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Its: Authorized Officer

EXHIBIT X-1

NOTICE OF REDEMPTION OF
City of Loma Linda, California
Hospital Revenue Refunding Bonds
(Loma Linda University Medical Center Project)
Series 1993-B

Notice is hereby given to the holders of the outstanding City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-B maturing on and after December 1, 2005 (the "Prior Bonds"), listed on the attached Schedule A, that such Prior Bonds have been called for redemption prior to maturity in accordance with their terms at a redemption price of 100% of the principal amount thereof, together with accrued interest evidenced thereby to December 1, 2005.

The redemption price of the Prior Bonds shall become due and payable on December 1, 2005, and the interest on the Prior Bonds shall cease to accrue from and after such date, and on said date there will become due and payable the principal amount of the Prior Bonds plus accrued interest to such date.

Owners of the Prior Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the principal corporate trust office of U.S. Bank National Association at Los Angeles, California.

Dated this _____ day of _____, 2005

CITY OF LOMA LINDA, CALIFORNIA

U.S. BANK NATIONAL ASSOCIATION, as Trustee

SCHEDULE A

SERIES 1993-B BONDS OUTSTANDING

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$605,000	12/1/05	4.500%	12/01/05
630,000	12/1/06	5.000	12/01/05
665,000	12/1/07	5.000	12/01/05
695,000	12/1/08	5.000	12/01/05
735,000	12/1/09	5.000	12/01/05
770,000	12/1/10	5.000	12/01/05
810,000	12/1/11	5.000	12/01/05
850,000	12/1/12	5.000	12/01/05
890,000	12/1/13	5.000	12/01/05
935,000	12/1/14	5.000	12/01/05
980,000	12/1/15	5.000	12/01/05
1,035,000	12/1/16	5.000	12/01/05
1,085,000	12/1/17	5.000	12/01/05
1,140,000	12/1/18	5.000	12/01/05
1,195,000	12/1/19	5.000	12/01/05
1,255,000	12/1/20	5.000	12/01/05
1,315,000	12/1/21	5.000	12/01/05
1,385,000	12/1/22	5.000	12/01/05

ESCROW AGREEMENT

by and among

CITY OF LOMA LINDA, CALIFORNIA,
as Issuer

and

LOMA LINDA UNIVERSITY MEDICAL CENTER

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Bonds Trustee

Dated as of October 1, 2005

ESCROW AGREEMENT

This ESCROW AGREEMENT (the "Escrow Agreement") is made and entered into as of the 1st day of October, 2005, by and among the CITY OF LOMA LINDA, a charter city and municipal corporation duly organized and existing under the laws of the State of California (the "City"), the LOMA LINDA UNIVERSITY MEDICAL CENTER, a nonprofit religious corporation organized and existing under the laws of the State of California (the "Medical Center") and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Escrow Agent hereunder (the "Escrow Agent") and as trustee with respect to the Prior Bonds (as defined below), hereinafter referred to solely for the purposes described herein, collectively, as the "Prior Bonds Trustee."

WITNESSETH:

WHEREAS, in 1982, the City and the predecessor-in-interest to the Prior Bonds Trustee entered into an Indenture of Trust (the "Original Indenture") dated as of December 1, 1982 providing for the issuance by the City of its hospital revenue bonds and the lending of the proceeds thereof to the Medical Center to finance improvements to the Medical Center's facilities in the City, which indenture was subsequently amended to provide for additional series of bonds thereunder (the Original Indenture and the thirteen amendments thereto are referred to collectively herein as the "Indenture"); and

WHEREAS, the City has previously issued, on behalf of the Medical Center, its $77,505,000 City of Loma Linda, California, Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1993-C (the "Series 1993-C Bonds"), pursuant to a tenth supplement to the Original Indenture, dated as of September 1, 1993; and

WHEREAS, the currently outstanding Series 1993-C Bonds identified in Schedule A attached hereto and incorporated herein by reference are collectively referred to herein as the "Prior Bonds" for convenience of reference and the Indenture is sometimes referred to herein as the "Prior Bonds Indenture;" and

WHEREAS, a new Master Indenture (the "Master Indenture"), dated as of October 1, 2005, has been entered into by and between the Medical Center, the Initial Members (as defined in the Master Indenture) and U.S. Bank National Association, as Master Trustee thereunder, for the purpose of fixing and declaring the terms and conditions under which obligations of the Medical Center are to be issued going forward; and

WHEREAS, the City and U.S. Bank National Association, as Bond Trustee, have entered into a Bond Indenture, dated as of October 1, 2005, pursuant to which the City, on behalf of the Medical Center, will issue its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Series 2005A Bonds"), a portion of the proceeds of which will be used to refund the Prior Bonds; and

WHEREAS, Section 14.01 of the Indenture provides that if the City shall irrevocably deposit with the Prior Bonds Trustee, in trust, Government Obligations (as herein defined) in such amount as will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Bond Trustee at the same time, shall be sufficient to pay and discharge the entire indebtedness on the Prior Bonds (including all principal, premium, if any, and interest), respectively, at or before their

respective maturity dates, then (upon compliance with the opinion, escrow verification and notice requirements of the Prior Bonds Indenture) the lien of such Prior Bonds under the Prior Bonds Indenture, and all other rights granted thereby, respectively, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on the Prior Bonds shall no longer be deemed to be outstanding and unpaid; and

WHEREAS, the City and Medical Center wish to make such a deposit of Government Obligations with the Escrow Agent with respect to the Prior Bonds, and the City and the Medical Center wish to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited; and

WHEREAS, the Escrow Agent has full power to act with respect to the irrevocable escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to the Escrow Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the City, the Medical Center and the Escrow Agent agree as follows:

Section 1. Deposit of Moneys.

(a) As used herein, the term "Government Obligations" means the Government Obligations set forth in Schedule B attached hereto which constitute direct noncallable nonprepayable obligations issued by the United States Treasury. The Medical Center and the City hereby deposit with the Escrow Agent $_____ constituting $_____ of the net proceeds of the Series 2005A Bonds, $_____ from the Debt Service Reserve Account within the Depreciation Reserve Fund for the Prior Bonds and $_____ transferred from the Principal and Interest Accounts within the Bond Fund for the Prior Bonds; such moneys are at least equal to an amount sufficient to purchase the principal amount of Government Obligations set forth in Schedule B attached hereto. The Government Obligations described in Schedule B are to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the City, the Medical Center, the Escrow Agent and the Prior Bonds Trustee in a fund hereby created and established and to be known as the "Series 1993-C Escrow Fund," and to be applied solely as provided in this Escrow Agreement. The aggregate principal amount of Government Obligations described in Schedule B attached hereto, together with all interest due or to become due on such Government Obligations, will be sufficient to (i) pay when due the interest and principal with respect to the Prior Bonds due on December 1, 2005, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium.

(b) The Escrow Agent hereby acknowledges receipt of the written opinion of _____, certified public accountants, dated October __, 2005 relating to the Government Obligations (the "Verification Report"), and the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, dated October __, 2005, and relating to this Escrow Agreement with respect to the fact that all conditions relating to the satisfaction and discharge of Bonds provided in the Indenture have been complied with.

Section 2. Use and Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees:

(a) immediately to invest $_____ of the monies described in Section 1(a) hereof in the Government Obligations set forth in Schedule B attached hereto and to deposit such Government Obligations in the Series 1993-C Escrow Fund, and to hold $_____ uninvested as cash; and

(b) to make the payments required under Section 3(a) hereof at the times set forth in Section 3(a) hereof.

Section 3. Payment of Prior Bonds.

(a) Payment. As the principal of the Government Obligations set forth in Schedule B attached hereto and the investment income and earnings thereon are paid, the Escrow Agent shall transfer from the Series 1993-C Escrow Fund to the Prior Bonds Trustee amounts sufficient to (i) pay on December 1, 2005 the principal and interest evidenced by the Prior Bonds, and (ii) to redeem on December 1, 2005 the outstanding Prior Bonds maturing on and after December 1, 2006, without premium. Such transfers shall constitute the payments of the principal and interest with respect to the Prior Bonds due from the City.

(b) Unclaimed Moneys. Any moneys held for payment of Prior Bonds which remain unclaimed for two (2) years after December 1, 2005, shall, at the written request of the City, be repaid by the Escrow Agent to the City, provided, however, that the Escrow Agent upon receiving such written request shall first publish a notice that said moneys remain unclaimed in accordance with the applicable Prior Bonds Indenture.

(c) Priority of Payments. The holders of the Prior Bonds shall have a first lien on the moneys and Government Obligations in the Series 1993-C Escrow Fund which are allowable and sufficient to pay the Prior Bonds until such moneys and Government Obligations are used and applied as provided in this Escrow Agreement. Any cash or securities held in the Series 1993-C Escrow Fund are irrevocably pledged only to the owners of the Prior Bonds.

(d) Termination of Obligation. Upon deposit of the moneys set forth in Section 1 hereof with the Escrow Agent pursuant to the provisions of Section 1 hereof and the simultaneous purchase of the Government Obligations as provided in Section 2 hereof, the holders of the Prior Bonds shall cease to be entitled to any lien, benefit or security under the Indenture.

Section 4. Performance of Duties. The Escrow Agent agrees to perform the duties set forth herein.

Section 5. Reinvestment. Upon written direction of the Medical Center and the City, the Escrow Agent may reinvest any uninvested amounts held as cash under this Escrow Agreement in noncallable nonprepayable Government Obligations which are direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America provided (i) the amounts of and dates on which the anticipated transfers from the Series 1993-C Escrow Fund to the paying agent for the payment of the principal of, redemption price of, and interest on the Prior Bonds will not be diminished or postponed thereby, (ii) the Escrow Agent shall receive the unqualified opinion of nationally recognized bond counsel to the effect that such reinvestment will not adversely affect

the exclusion from gross income of interest with respect to the Series 2005A Bonds or the Prior Bonds, (iii) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such reinvestment, the principal of and interest on obligations in the Series 1993-C Escrow Fund will, together with other cash on deposit in the Series 1993-C Escrow Fund available for such purposes, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds; and (iv) the Escrow Agent shall receive an opinion of nationally recognized bond counsel that such reinvestment is permissible under this Escrow Agreement. Except as provided in this Section 5 and Section 8 hereof, the Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement or to sell, transfer or otherwise dispose of the moneys or Government Obligations held hereunder. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 6. **Indemnity.** The Medical Center hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the Medical Center or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Series 1993-C Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Medical Center shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligent or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Medical Center or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this section. The indemnities contained in this section shall survive the termination of this Escrow Agreement.

Section 7. **Responsibilities of the Escrow Agent.** The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Series 1993-C Escrow Fund, the acceptance of the moneys or securities deposited therein, the purchase of the Government Obligations, the retention of the Government Obligations or the proceeds thereof, the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the City and the Medical Center and the Escrow Agent assumes no responsibility

for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the Government Obligations to accomplish the defeasance of the Prior Bonds or to the validity of this Escrow Agreement as to the City or the Medical Center and, except as otherwise provided herein, the Escrow Agent shall incur no liability with respect thereto. The Escrow Agent shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection with respect to any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the City or the Medical Center.

Section 8. Substitution of Government Obligations. At the written request of the City and the Medical Center and upon compliance with the conditions hereinafter set forth, the Escrow Agent shall have the power to sell, transfer, request the redemption or otherwise dispose of some or all of the Government Obligations in the Series 1993-C Escrow Fund and to substitute noncallable nonprepayable obligations (the "Substitute Government Obligations") constituting direct obligations issued by the United States Treasury or obligations which are unconditionally guaranteed as to full and timely payment by the United States of America as contemplated by Prior Bonds Indenture. Except as otherwise provided in Section 5, the foregoing may be effected only if: (i) the substitution of Substitute Government Obligations for the Government Obligations (or Substitute Government Obligations) occurs simultaneously; (ii) the amounts of and dates on which the anticipated transfers from the Series 1993-C Escrow Fund to the trustee for the payment of the principal of and/or redemption price of and/or interest on the Prior Bonds will not be diminished or postponed thereby; (iii) the Escrow Agent shall receive the unqualified opinion of nationally recognized municipal bond attorneys to the effect that such disposition and substitution would not adversely affect the exclusion from gross income of interest with respect to the Prior Bonds or the Series 2005A Bonds, and that the conditions of this Section 8 as to the disposition and substitution have been satisfied and that the substitution is permitted by this Escrow Agreement; and (iv) the Escrow Agent shall receive from an independent certified public accountant a certification that, immediately after such transaction, the principal of and interest on the Substitute Government Obligations in the Series 1993-C Escrow Fund will, together with other cash on deposit in the Series 1993-C Escrow Fund available for such purpose, be sufficient without reinvestment to pay, when due, the principal or redemption price of and interest evidenced by the Prior Bonds. Any cash from the sale of Government Obligations (including U.S. Treasury Securities) received from the disposition and substitution of Substitute Government Obligations pursuant to this Section 8 to the extent such cash will not be required, in accordance with the Indenture, this Escrow Agreement, and as demonstrated in the certification described in (iv) above, at any time for the payment when due of the principal or redemption price of or interest evidenced by the Prior Bonds shall be paid to the Medical Center as received by the Escrow Agent free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Escrow Agreement. In no event shall the Escrow Agent invest or reinvest monies held under this Escrow Agreement in mutual funds or unit investment trusts.

Section 9. **Irrevocable Instructions as to Notice.** The Escrow Agent hereby acknowledges that upon the funding of the Series 1993-C Escrow Fund as provided in this Escrow Agreement, the receipt of the opinions described in Section 1(b) of this Escrow Agreement and the giving of irrevocable instructions to provide notice as provided in the Irrevocable Instructions and Request to Trustee and Escrow Agent attached hereto as Schedule C, the Prior Bonds shall be paid in accordance with the Indenture and the liens, rights and interest granted under the Indenture with respect to the Prior Bonds shall cease and become null and void.

Section 10. **Amendments.** This Escrow Agreement is made for the benefit of the City, the Medical Center and the holders from time to time of the Prior Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent, the City and the Medical Center; provided, however, but only after the receipt by the Escrow Agent of an opinion of nationally recognized bond counsel that the exclusion from gross income of interest with respect to the Series 2005A Bonds and the Prior Bonds will not be adversely affected for federal income tax purposes, that the City, the Medical Center and the Escrow Agent may, without the consent of, or notice to, such holders, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Prior Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and (iii) to include under this Escrow Agreement additional funds, securities or properties. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of nationally recognized municipal bond attorneys with respect to compliance with this Section 10, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Prior Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section 10. In the event of any conflict with respect to the provisions of this Escrow Agreement, this Escrow Agreement shall prevail and be binding.

Section 11. **Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either (i) the date upon which the Prior Bonds have been paid in accordance with this Escrow Agreement or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 3(b) of this Escrow Agreement.

Section 12. **Compensation.** The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien nor will it assert a lien whatsoever on any moneys or obligations in the Series 1993-C Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement.

Section 13. **Resignation or Removal of Escrow Agent.**

(a) The Escrow Agent may resign by giving notice in writing to the City, the

Medical Center and the Bond Insurer (as defined in the Indenture), which notice shall be published once in a newspaper of general circulation published at least once each calendar week in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York. The Escrow Agent may be removed (1) by (i) filing with the Escrow Agent of an instrument or instruments executed by the City, the Medical Center and the Bond Insurer, (ii) the publishing of such notice at least 60 days prior to the effective date of said removal in a newspaper of general circulation in the County of San Bernardino, and in a daily newspaper of general circulation in the Borough of Manhattan, District and State of New York, and (iii) the delivery of a copy of the instruments filed with the City and the Medical Center to the Escrow Agent or (2) by a court of competent jurisdiction for failure to act in accordance with the provisions of this Escrow Agreement upon application by any or all of the City, the Bond Insurer, the Medical Center or the holders of 5% in aggregate principal amount of the Prior Bonds then remaining unpaid.

(b) If the position of Escrow Agent becomes vacant due to resignation or removal of the Escrow Agent or any other reason, a successor Escrow Agent may be appointed by the City and the Medical Center, with the written consent of the Bond Insurer. Notice of such appointment shall be published in accordance with the requirements more specifically set forth in clause (1) (ii) of subsection (a) of this Section. Within one year after a vacancy, the holders of a majority in principal amount of the Prior Bonds then remaining unpaid may, by an instrument or instruments filed with the City and the Medical Center, appoint a successor Escrow Agent who shall supersede any Escrow Agent theretofore appointed by the City and the Medical Center. If no successor Escrow Agent is appointed by the City and the Medical Center or the holders of such Prior Bonds then remaining unpaid, within 30 days after any such resignation or removal, the holder of any such Prior Bond or any retiring Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor Escrow Agent. The responsibilities of the Escrow Agent under this Escrow Agreement will not be discharged until a new Escrow Agent is appointed and until the cash and investments held under this Escrow Agreement are transferred to the new Escrow Agent.

Section 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

Section 16. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

Section 17. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Escrow Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the

principal office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Escrow Agreement, and no interest shall accrue for the period after such nominal date.

Section 18. **Assignment.** This Escrow Agreement shall not be assigned by any party without the prior written consent of each of the other parties hereto.

Section 19. **Moody's and Standard and Poor's.** The City agrees to provide to Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's, a Division of The McGraw-Hill Companies, 55 Water Street, New York, New York 10041, prior notice of each amendment entered into pursuant to Section 10 hereof and a copy of such proposed amendment, and to forward a copy (as soon as possible) of (i) each amendment hereto entered into pursuant to Section 10 hereof, and (ii) any action relating to severability or contemplated by Section 14 hereof.

Section 20. **Reorganization of Escrow Agent.** Notwithstanding anything to the contrary contained in this Escrow Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

IN WITNESS WHEREOF, the City, the Medical Center and the Escrow Agent have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: Mayor

ATTEST:

_____
City Clerk

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

LOMA LINDA UNIVERSITY MEDICAL CENTER

By: _____
Its: Authorized Officer

[SIGNATURES CONTINUED ON NEXT PAGE]

[SIGNATURE PAGE CONTINUED]

U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent and Prior Bonds Trustee

By: _____

Its: Authorized Officer

SCHEDULE A

SERIES 1993-C PRIOR BONDS

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$2,235,000	12/1/05	4.500%	12/01/05
2,430,000	12/1/06	5.000	12/01/05
2,550,000	12/1/07	5.000	12/01/05
2,680,000	12/1/08	5.000	12/01/05
2,815,000	12/1/09	5.000	12/01/05
2,955,000	12/1/10	5.000	12/01/05
3,100,000	12/1/11	5.000	12/01/05
3,260,000	12/1/12	5.000	12/01/05
3,420,000	12/1/13	5.000	12/01/05
3,590,000	12/1/14	5.375	12/01/05
3,785,000	12/1/15	5.375	12/01/05
3,985,000	12/1/16	5.375	12/01/05
4,200,000	12/1/17	5.375	12/01/05
4,420,000	12/1/18	5.375	12/01/05
4,665,000	12/1/19	5.375	12/01/05
4,915,000	12/1/20	5.375	12/01/05
5,180,000	12/1/21	5.375	12/01/05
5,455,000	12/1/22	5.375	12/01/05

SCHEDULE B

"Government Obligations" are defined to be, and shall be, as follows:

Type	Coupon	Maturity Date	Par Amount
_____	_____%	12/1/05	$_____

SCHEDULE C-1

IRREVOCABLE INSTRUCTIONS AND REQUEST TO TRUSTEE AND ESCROW AGENT

October __, 2005

U.S. Bank National Association
Los Angeles, California

Ladies and Gentlemen:

As Escrow Agent with respect to the Prior Bonds as defined in that certain Escrow Agreement dated as of October 1, 2005, by and among the City of Loma Linda, California, Loma Linda University Medical Center and U.S. Bank National Association (the "Escrow Agreement"), you are hereby notified of the irrevocable election of the City of Loma Linda, California (i) to pay the principal of and interest on the Prior Bonds due on December 1, 2005, and to redeem on December 1, 2005 the outstanding principal of such Prior Bonds maturing on and after December 1, 2006 at a redemption price of 100% of the principal amount thereof to be so redeemed.

CITY OF LOMA LINDA, CALIFORNIA

By: _____
Its: City Manager

Receipt acknowledged and consented to:

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Its: Authorized Officer

EXHIBIT X-1

NOTICE OF REDEMPTION OF
City of Loma Linda, California
Hospital Revenue Refunding Bonds
(Loma Linda University Medical Center Project)
Series 1993-C

Notice is hereby given to the holders of the outstanding City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-C maturing on and after December 1, 2005 (the "Prior Bonds"), listed on the attached Schedule A, that such Prior Bonds have been called for redemption prior to maturity in accordance with their terms at a redemption price of 100% of the principal amount thereof, together with accrued interest evidenced thereby to December 1, 2005.

The redemption price of the Prior Bonds shall become due and payable on December 1, 2005, and the interest on the Prior Bonds shall cease to accrue from and after such date, and on said date there will become due and payable the principal amount of the Prior Bonds plus accrued interest to such date.

Owners of the Prior Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the principal corporate trust office of U.S. Bank National Association at Los Angeles, California.

Dated this _____ day of _____, 2005

CITY OF LOMA LINDA, CALIFORNIA

U.S. BANK NATIONAL ASSOCIATION, as Trustee

SCHEDULE A

SERIES 1993-C BONDS OUTSTANDING

Principal Amount	Maturity Date	Interest Rate	Redemption Date
$2,235,000	12/1/05	4.500%	12/01/05
2,430,000	12/1/06	5.000	12/01/05
2,550,000	12/1/07	5.000	12/01/05
2,680,000	12/1/08	5.000	12/01/05
2,815,000	12/1/09	5.000	12/01/05
2,955,000	12/1/10	5.000	12/01/05
3,100,000	12/1/11	5.000	12/01/05
3,260,000	12/1/12	5.000	12/01/05
3,420,000	12/1/13	5.000	12/01/05
3,590,000	12/1/14	5.375	12/01/05
3,785,000	12/1/15	5.375	12/01/05
3,985,000	12/1/16	5.375	12/01/05
4,200,000	12/1/17	5.375	12/01/05
4,420,000	12/1/18	5.375	12/01/05
4,665,000	12/1/19	5.375	12/01/05
4,915,000	12/1/20	5.375	12/01/05
5,180,000	12/1/21	5.375	12/01/05
5,455,000	12/1/22	5.375	12/01/05

$[PAR AMOUNT]
City of Loma Linda, California,
Hospital Revenue Bonds
(Loma Linda University Medical Center),
Series 2005A

Bond Purchase Contract

_____, 2005

City of Loma Linda
25541 Barton Road
Loma Linda, California 92354

Ladies and Gentlemen:

Goldman, Sachs & Co. (the "Representative"), acting on behalf of itself and Kinsell, Newcomb & De Dios, Inc. ("KND" and together with the Representative collectively referred to herein as the "Underwriters") offers to enter into this Bond Purchase Contract (this Bond Purchase Contract, including the Letter of Representation attached hereto as Exhibit A being herein called the "Bond Purchase Contract") with the City of Loma Linda, California (the "City") and approved by Loma Linda University Medical Center (the "Medical Center"), which, upon acceptance, will be binding upon the City, the Medical Center and the Underwriters. Goldman, Sachs & Co. has been duly authorized to execute this Bond Purchase Contract and to act hereunder by and on behalf of KND. This offer is made subject to the City's acceptance on or before 1:00 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Representative upon written notice delivered to the City at any time prior to such acceptance.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Official Statement (described below).

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein and in the Letter of Representation dated the date hereof, executed and delivered by the Medical Center (the "Letter of Representation") and attached hereto as Exhibit A, the Underwriters, jointly and severably, hereby agree to purchase from the City and the City hereby agrees to sell to the Underwriters all (but not less than all) of the $[PAR AMOUNT] aggregate principal amount of City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds"). The Bonds shall be dated the date of delivery, bear interest and

mature on the dates and in the amounts in accordance with that certain bond indenture (the "Bond Indenture"), dated as of October 1, 2005, by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and as set forth in Exhibit B hereto. The aggregate purchase price of the Bonds shall be $_____ (representing the principal amount thereof, less an underwriters' discount of $_____, [plus/less] a net original issue [premium/discount] of $_____).

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Bond Indenture. The Bonds shall be limited obligations of the City payable from payments made by the Medical Center under a loan agreement to be dated as of October 1, 2005, by and between the Medical Center and the City (the "Loan Agreement"), from amounts held in certain funds established pursuant to the Bond Indenture and from payments on Obligation No. 2 (as hereinafter defined) by the Obligated Group Members (as hereinafter defined), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds shall be further secured by an assignment of the right, title and interest of the City in the Loan Agreement and in Obligation No. 2, to the extent and as more particularly described in the Bond Indenture.

The Medical Center shall execute and deliver to the Trustee on the Closing Date (as defined below) Obligation No. 2 ("Obligation No. 2") issued under the Master Indenture of Trust, dated as of October 1, 2005, as supplemented and amended to date (the "Master Indenture"), between the Medical Center and any future Members of the Obligated Group (collectively, the "Obligated Group Members," the "Members," or the "Obligated Group") and U.S. Bank National Association, as master trustee (the "Master Trustee"), and the Supplemental Master Indenture for Obligation No. 2, dated as of October 1, 2005, by and between the Medical Center and the Master Trustee ("Supplement No. 2"). The Medical Center will initially be the sole Member of the Obligated Group. Obligation No. 2 will evidence the obligation of the Members of the Obligated Group with respect to the Medical Center's payment obligation under the Loan Agreement. The obligation to make payments on Obligation No. 2 will constitute the joint and several obligations of the Obligated Group pursuant to the terms of the Master Indenture.

The Medical Center will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Medical Center and the Trustee, to provide annual and quarterly reports and notices of certain events relating to the Bonds. A description of this undertaking is set forth in the Preliminary Official Statement and the Official Statement (as defined below).

The Medical Center will enter into a [Deposit Account Control Agreement], dated as of October 1, 2005 (the "Deposit Account Control Agreement"), by and among the Medical Center, _____ (the "Deposit Account Bank"), and the Master Trustee, with respect to the Gross Revenue Fund and the Gross Revenues.

The Medical Center will enter into a Fully Amended and Restated Deed of Trust and Security Agreement, dated October 1, 2005 (the "Deed of Trust") relating to certain of its facilities to secure its obligations under the Master Indenture, including Obligation No. 2.

The proceeds to be received from the sale of the Bonds will be used to (a) finance certain capital improvements at the healthcare facilities owned or operated by the Medical Center; (b) refund certain outstanding revenue bonds issued for the benefit of the Medical Center (the "Prior Bonds"); (c) fund a reserve account for the Bonds; and (d) pay certain of the costs of issuance of the Bonds.

In connection with the refunding of the Prior Bonds the Medical Center will enter into an escrow agreement relating to each of the Prior Bonds, with the respective trustee for each of the Prior Bonds, each dated as of the Closing Date (each, an "Escrow Agreement" and collectively, the "Escrow Agreements"), with respect to refunding of such Prior Bonds.

(b) The City hereby ratifies, confirms and approves of the use and distribution by the Underwriters prior to the date hereof of the preliminary official statement relating to the Bonds, dated _____, 2005 (including the cover page and all appendices thereto, the "Preliminary Official Statement"). The City has deemed final the information under the captions "THE CITY" and "ABSENCE OF MATERIAL LITIGATION" (solely as it relates to the City) in the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12"). The Medical Center has deemed final the Preliminary Official Statement for purposes of Rule 15c2-12. The City hereby agrees to deliver or cause to be delivered to the Underwriters, promptly after acceptance hereof, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the City and the Representative) (the "Official Statement") signed on behalf of the City by the City Manager (or an authorized deputy of the City Manager) and approved on behalf of the Obligated Group Members by its Chief Executive Officer or other authorized officer. The City hereby agrees to deliver or cause to be delivered to the Underwriters, within seven (7) business days of the date hereof, copies of the Official Statement in such quantity as the Underwriters shall request in order to permit the Underwriters to comply with Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board ("MSRB"). The City hereby approves of the use and distribution by the Underwriters of the Official Statement, the Bond Indenture, the Loan Agreement, and other pertinent documents referred to in Section 3 hereof to be used in connection with the public offering and sale of the Bonds.

(c) At 9:00 A.M., California time, on _____, 2005, or at such earlier or later time or date as shall be agreed by the City and the Representative (such time and date being herein referred to as the "Closing Date" or the "Closing"), the City will cause to be delivered to DTC, for the account of the Representative, the Bonds, in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds (all of the Bonds to bear CUSIP numbers), duly executed by the City and authenticated by the Trustee, and will deliver the other documents herein mentioned to the Representative at the Newport Beach, California, offices of Stradling Yocca Carlson & Rauth, bond counsel ("Bond Counsel"); and the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section by wire transfer (such delivery and payment being herein referred to as the "Closing"). Upon initial issuance, the ownership of the Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of DTC.

(d) On or prior to the date hereof, the Representative shall have received (i) from Ernst & Young LLP, an executed copy of its letter, substantially in the form of Exhibit H hereto (the "Ernst & Young LLP Procedures Letter"), (ii) from Ernst & Young LLP, its consent to the inclusion of its audit report on the consolidated financial statements of the Medical Center that are included in the Preliminary Official Statement and to the references to its name in the Preliminary Official Statement, (iii) from Ernst & Young LLP, its consent to the inclusion of its audit report on the consolidated financial statements of the Medical Center that are included in the Official Statement and to the references to its name in the Official Statement.

2. Representations and Agreements of the City. The City represents and warrants to and agrees with the Underwriters and the Obligated Group that:

(a) The City is duly organized and existing under its Charter and the Constitution and laws of the State of California with the full power and authority to adopt the Resolution to issue the Bonds, to execute this Bond Purchase Contract, the Bond Indenture, the Official Statement and the Loan Agreement and to perform its obligations under this Bond Purchase Contract, the Bond Indenture, the Official Statement and the Loan Agreement;

(b) When delivered to and paid for by the Underwriters at the Closing in accordance with the provisions of this Bond Purchase Contract, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding limited obligations of the City in conformity with and entitled to the benefit and security of the Bond Indenture;

(c) By official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized and approved the distribution of the Preliminary Official Statement and has duly authorized the distribution of and approved the Official Statement, and authorized and approved the execution and delivery of and the performance by the City of the obligations on its part contained in the Bonds, the Loan Agreement, the Bond Indenture and this Bond Purchase Contract and the consummation by the City of all other transactions contemplated by the Official Statement and this Bond Purchase Contract;

(d) To the knowledge of the City, there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, governmental agency, public board or body, pending or threatened against the City seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting any proceedings of the City taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Bonds, the Bond Indenture, the Loan Agreement or this Bond Purchase Contract or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, as amended or supplemented, or the existence or powers of the City relating to the issuance of the Bonds;

(e) The statements and information contained in the Official Statement relating to the City under the captions, "THE CITY" and "ABSENCE OF MATERIAL LITIGATION" (solely as it relates to the City) are true and complete in all material respects, and the information contained in the Official Statement does not omit any statement or information

concerning the City which is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect;

(f) The City will furnish such information, execute such instruments and take such other action in cooperation with the Representative as the Representative may reasonably request in order for the Representative (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds, provided, however, that in no event shall the City be required to take any action that would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(g) If, between the date of this Bond Purchase Contract and 25 days after the end of the underwriting period (as defined in Rule 15c2-12 Subsection (f)(2)), an event occurs, of which the City has knowledge, which might or would cause the information relating to the City contained in the Official Statement under the captions, "THE CITY" and "ABSENCE OF MATERIAL LITIGATION" (solely as it relates to the City), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading or, if the City is notified by the Medical Center pursuant to Paragraph (15) of the Letter of Representation or otherwise requested to amend, supplement or otherwise change the Official Statement, the City will notify the Representative and the Medical Center, and, if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will amend or supplement the Official Statement in a form and in a manner approved by the Representative, provided all expenses thereby incurred will be paid by the Medical Center pursuant to the Letter of Representation;

(h) The execution and delivery of the Bonds, the Loan Agreement, the Bond Indenture and this Bond Purchase Contract and compliance with the provisions on the City's part contained therein will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Bond Indenture or the Loan Agreement;

(i) The City is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing that, with the passage of time or the giving of notice or both, would constitute a default or an event of default under any such instrument; and

(j) After the Closing, the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Representative shall reasonably object in writing or which shall be disapproved by counsel to the Representative unless bond counsel delivers an opinion that such amendment is required to comply with federal securities laws.

The execution and delivery of this Bond Purchase Contract by the City shall constitute a representation by the City to the Underwriters that the representations, warranties and agreements contained in this Section 2 are true as of the date hereof, provided that no member of the governing body of the City shall be individually liable for the breach of any representation or agreement contained herein.

3. Conditions to the Obligations of the Underwriters. The obligation of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Representative, to the accuracy in all material respects of the representations, warranties and agreements on the part of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) Prior to or simultaneously with the execution of this Bond Purchase Contract, the Representative shall have received from the Medical Center the Letter of Representation made on behalf of itself and the Obligated Group, dated the date of this Bond Purchase Contract, addressed to the Representative and the City, in the form attached hereto as Exhibit A;

(b) At the Closing Date, the Bond Indenture, the Master Indenture, Obligation No. 2, Supplement No. 2, the Loan Agreement, the Continuing Disclosure Agreement, the Escrow Agreements, the Deed of Trust and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto in substantially the forms heretofore submitted to the Representative with only such changes as shall have been agreed to in writing by the Representative, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Contract, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate;

(c) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Representative;

(d) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the judgment of the Representative (evidenced by a written notice to the City terminating the obligation of the Underwriters to accept delivery of and pay for the Bonds), by reason of any of the following:

(1) legislation shall be enacted or actively considered for enactment by the Congress of the United States, or adopted or actively considered for enactment by either House thereof, or recommended by the President of the United States to the Congress for passage, or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of competent jurisdiction of the United States including the United States Tax Court shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other agency or department of the United States shall be made or proposed to be made with respect to federal taxation of revenues or other income to be derived by the City under the Loan Agreement, the Master Indenture or on Obligation No. 2 or upon interest received on obligations of the general character of the Bonds (other than as specifically described under the heading "TAX MATTERS" in the Preliminary Official Statement) including, without limitation, the application thereto of any alternative minimum tax except to the extent so described, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax exempt status of the Medical Center under Sections 501(a) and 501(c)(3) of the Code and, in the reasonable opinion of the Representative, materially adversely affects the market price or marketability of the Bonds, or the market price or marketability generally of obligations of the general character of the Bonds,

(2) there shall exist any event which in the reasonable judgment of the Representative either (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein under the circumstances in which made not misleading in any material respect;

(3) legislation shall be enacted, or actively considered for enactment, or a decision by a court of competent jurisdiction shall hereafter be rendered, or action shall hereafter be taken or a ruling or regulation shall hereafter be issued by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter, the effect of which, in the opinion of counsel to the Representative, is that (A) the Bonds or Obligation No. 2 are not exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or (B) the Bond Indenture or the Master Indenture, is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(4) a stop order, ruling or regulation by the Securities and Exchange Commission shall hereafter be issued or made, the reasonable effect of which is that the issuance, offering or sale of the Bonds, as contemplated herein or in the Preliminary Official Statement or the Official Statement, or of obligations of the general character of the Bonds, is in violation of any provisions of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, the Trust Indenture Act of 1939, as amended and as then in effect, or the Investment Company Act of 1940, as amended and as then in effect, or any rule or regulation promulgated under any of such Acts;

(5) there shall occur any outbreak or escalation of hostilities or any national or international calamity or crisis or a financial crisis, or escalation of any thereof, the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, to materially adversely affect the market for the Bonds;

(6) there is a withdrawal or downgrading of any rating on the Bonds or on any other obligations of the Medical Center;

(7) there shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(8) a general banking moratorium shall have been declared by federal, New York or California authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearance services shall have occurred which in the reasonable judgment of the Representative, would make the marketing of municipal revenue bonds generally impractical;

(9) there shall have occurred since December 31, 2004 any material adverse change in the affairs, operations or condition, financial or otherwise, of the Medical Center such as would, in the reasonable judgment of the Representative, materially adversely affect the market for the Bonds;

(10) the Constitution of the State of California shall be amended, legislation shall be enacted or actively considered for enactment by the California legislature, or a California court decision shall be announced which, in the reasonable opinion of the Representative, materially adversely affects the market for the Bonds or of obligations of the general character of the Bonds;

(11) in the reasonable judgment of the Representative, the market for the Bonds or of obligations of the general character of the Bonds might be adversely affected because: (a) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange or (b) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, underwriters;

(12) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way protesting or affecting any authority for or the validity of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture or Obligation No. 2 or the existence or powers of the City or the Medical Center;

(13) any state "blue sky" or securities commission shall have withheld registration, exemption or clearance of the offering of the Bonds and, in the reasonable judgment of the Representative, the market for the Bonds is materially adversely affected thereby;

(14) there shall be any material adverse change in the affairs of the Medical Center, that, in the judgment of the Representative, affects materially and adversely the market price or the marketability of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds, including, without limitation the issuance of an official release, ruling or regulation by any major third-party which materially adversely affects third-party payments to the Medical Center;

(15) any event occurring or information becoming known that, in the reasonable judgment of the Representative, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(16) there shall be a commencement of termination proceedings as to the Medical Center's participation in third party reimbursement or payment arrangements or receipt by the Medical Center of notice that its current participation in any third party reimbursement or payment arrangement is subject to any contest, termination or suspension as a result of any non-compliance with participation requirements, which in the reasonable judgment of the Representative adversely affects the market for the Bonds; and

(17) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which in the reasonable judgment of the Representative, materially adversely affects the marketability of the Bonds or the market price thereof.

(e) At or prior to the Closing Date, the Representative shall have received the following documents, in each case satisfactory in form and substance to the Representative:

(1) Executed copies of the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 2, Obligation No. 2 (specimen copy only), the Continuing Disclosure Agreement, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust duly executed and delivered by the respective parties thereto, with such amendments, modifications or supplements as may have been agreed to in writing by the Representative;

(2) The unqualified approving opinion related to the Bonds, dated the Closing Date and addressed to the City, with reliance letters to the Representative and the Trustee, of Bond Counsel in substantially the form attached to the Official Statement as Appendix E, together with a supplemental opinion in a form acceptable to the Representative, dated the Closing Date and addressed to the City and the Representative, in substantially the form attached hereto as Exhibit C;

(3) The opinion of counsel to the City, dated the Closing Date and addressed to the Representative, in substantially the form attached hereto as Exhibit D;

(4) An opinion, dated the Closing Date and addressed to the City, the Representative and Bond Counsel, of DLA Piper Rudnick Gray Cary, counsel to the Medical Center, in substantially the form attached hereto as Exhibit E;

(5) The opinion of Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriters, dated the Closing Date, to the effect that (i) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Bond Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and (ii) based upon information made available to such counsel in the course of such counsel's participation in the transaction as counsel to the Underwriters and without having undertaken to verify independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no facts have come to such counsel's attention that would cause them to believe that the Official Statement as of its date (except for any CUSIP numbers, financial, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, absorption, real estate or environmental matters, Appendices B, C, D, E and F, or any information about book-entry, tax matters, DTC included or referred to therein, which is expressly excluded from the scope of the opinion and as to which no opinion or view is expressed) contained or contains any untrue statement of material fact or omitted or omits to state any material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;

(6) A certificate, dated the Closing Date and signed by an authorized officer of the City, to the effect that the representations and agreements of the City contained in Section 2 of this Bond Purchase Contract are true and correct in all material respects with the same effect as if made on the Closing Date;

(7) A certificate, dated the Closing Date, signed by an authorized officer of the Trustee, in substantially the form attached hereto as Exhibit F;

(8) An opinion, dated the Closing Date and addressed to the City, the Representative, the Medical Center and the Trustee, of counsel to the Trustee, in substantially the form attached hereto as Exhibit G;

(9) A certificate of an officer of the Medical Center acceptable to the Representative (the "Medical Center Authorized Representative"), dated the Closing Date, to the effect that:

(i) since December 31, 2004, no material and adverse change has occurred in the financial position or results of operation of the Medical Center, that is not described in the Official Statement;

(ii) since December 31, 2004, no Member has incurred any material liabilities other than in the ordinary course of business which are not described in the Official Statement;

(iii) other than as described in the Official Statement, no litigation is pending or, to the knowledge of such Medical Center Authorized Representative, threatened against the Medical Center (a) to restrain or enjoin the issuance or delivery of any of the Bonds by the City or the collection of Revenues pledged under the Bond Indenture, (b) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Bond

Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, this Bond Purchase Contract or the Letter of Representation, or (c) in any way contesting the corporate existence or powers of the Medical Center;

(iv) other than as described in the Official Statement, no proceedings are pending or, to the knowledge of such Medical Center Authorized Representative, threatened that in any way contest or affect the status of the Medical Center as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, which is not a private foundation as described in Section 509(a) of the Internal Revenue Code of 1986, as amended, or that would subject any income of the Medical Center to federal income taxation;

(v) no event affecting the Medical Center has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect;

(vi) the representations and warranties made by the Medical Center in the Loan Agreement and in the Letter of Representation are true and correct as of the Closing Date, provided that, as to the representations contained in the Letter of Representation, references to "the date hereof" shall be deemed to be to the Closing Date; and

(vii) as of the Closing Date, the Master Trustee shall have filed such financing statements, all in form and substance satisfactory to the Master Trustee and its counsel, as may be necessary under Division 9 of the California Commercial Code, to create or continue a first priority perfected security interest in the Gross Revenues in favor of the Master Trustee, as granted under the Master Indenture, in each case to the extent that security interests in the Gross Revenues may be perfected by such filings;

(10) Certified copies of the resolution of the City Council of the City authorizing the execution and delivery of the Bonds, the Bond Indenture, the Loan Agreement, the Official Statement and this Bond Purchase Contract;

(11) Copies of the Medical Center's articles of incorporation certified as of a recent date (being no more than 10 days prior to the Closing Date) by the Secretary of State of the State of California and good standing certificates of recent date certified by the Franchise Tax Board of the State of California; certified copies of the Medical Center's bylaws; and certified copies of resolutions of the Board of Trustees of the Medical Center and Loma Linda University Adventist Health Sciences Center authorizing the execution and delivery by the Medical Center, of the Loan Agreement, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the

Deed of Trust and the Letter of Representation and approving this Bond Purchase Contract and the Official Statement (and distribution thereof) and the Preliminary Official Statement (and distribution thereof);

(12) Evidence that the Medical Center is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is not a private foundation as described in Section 509(a) of the Internal Revenue Code of 1986, as amended;

(13) A Tax Agreement in form and substance satisfactory to Bond Counsel;

(14) A copy of the completed Form 8038 of the Internal Revenue Service, executed by the City;

(15) Two copies of the Official Statement executed on behalf of the City by an officer of the City and executed on behalf of the Medical Center by an authorized officer of the Medical Center;

(16) Evidence of the ratings of the Bonds of "____" by Standard & Poor's;

(17) A certificate of an Authorized Officer of the Master Trustee acceptable to the Underwriters, dated the Closing Date, to the effect that (i) such Authorized Officer is duly authorized to execute the Master Indenture and Supplement No. 2, and to authenticate Obligation No. 2 and (ii) such Authorized Officer duly executed the Master Indenture and Supplement No. 2 and duly authenticated Obligation No. 2, together with the certified Bylaws of the Master Trustee authorizing such Authorized Officer to execute the Master Indenture and Supplement No. 2 and to authenticate Obligation No. 2;

(18) A letter of Ernst & Young LLP dating down the Ernst & Young LLP Procedure Letter;

(19) Documents relating to the refundings of the Prior Bonds, including verification reports, defeasance opinions; [SLGS confirmations; open market bid certificates;]

(20) Consent of Ambac to the amendment and restatement of the Bond Indenture and Project Agreement with respect to the City of Loma Linda, California Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1999-A;

(21) ALTA Title Insurance Policy for the Deed of Trust; and

(22) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative or Bond Counsel may reasonably request to evidence compliance by the City and the Medical Center with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the City contained herein and of the Medical Center contained in the Letter of Representation, and the due performance or satisfaction by the City and the Medical Center at or prior to the requisite time of all agreements then to be performed and all conditions then to be satisfied by the City and the Medical Center.

4. Conditions to the Obligation of the City. The obligations of the City to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the City, to the performance by the Underwriters of their obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) The Master Indenture, the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust and this Bond Purchase Contract, respectively, shall have been executed by the other parties thereto;

(b) No order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued nor shall any legislation have been enacted with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or issuance of the Bonds as contemplated hereby or by the Official Statement; and

(c) The documents contemplated by Sections 3(e) (other than those required to be delivered on behalf of the City) shall have been delivered substantially in the forms set forth herein, or in form and substance satisfactory to Bond Counsel and counsel to the Underwriters.

5. Expenses. All reasonable expenses and costs in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including printing costs, CUSIP Service Bureau fees, fees and expenses of consultants, fees and expenses of rating agencies, reasonable fees and expenses of Bond Counsel and counsel to the City, reasonable fees and expenses of counsel for the Medical Center, reasonable fees and expenses of counsel for the Underwriters, including but not limited to such fees and expenses in connection with qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions, preparation of the Preliminary Official Statement and the Official Statement, and all fees and expenses of the Trustee shall be paid by the Medical Center. All fees and expenses to be paid by the Medical Center pursuant to this Bond Purchase Contract may be paid from Bond proceeds to the extent permitted by the Bond Indenture. All out-of-pocket expenses of the Underwriters, including travel and other expenses, and including preparation and printing of a blue sky survey (except as provided above) shall be paid by the Underwriters.

6. Notices. Any notice or other communication to be given to the City under this Bond Purchase Contract may be given by delivering the same in writing at the City's address set forth above, and any such notice or other communications to be given to the Underwriters may be given by delivering the same in writing to 85 Broad Street, 24th Floor, New York, NY 10004, Attention: Edward L. Shapoff, Vice President. The approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing signed by the Representative and delivered to you.

7. Governing Law. This Bond Purchase Contract shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State of California.

8. Miscellaneous. This Bond Purchase Contract is made solely for the benefit of the City, the Medical Center and the Underwriters (including the successors or assigns of the Underwriters), and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Bond Purchase Contract may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This agreement shall not be assigned by any of the parties hereto, without the consent of the other parties hereto.

GOLDMAN, SACHS & CO.
KINSELL, NEWCOMB & DE DIOS, INC.

By: GOLDMAN, SACHS & CO.,
as Representative

_____

Accepted and Agreed to:

CITY OF LOMA LINDA

By:_____
Authorized Representative

Approved:

LOMA LINDA UNIVERSITY MEDICAL CENTER

By:_____
Authorized Representative

EXHIBIT A TO
BOND PURCHASE CONTRACT

LETTER OF REPRESENTATION

_____, 2005

City of Loma Linda
Loma Linda, California

Goldman, Sachs & Co.,
as Representative
New York, NY

Ladies and Gentlemen:

Pursuant to a bond purchase contract dated the date hereof (the "Bond Purchase Contract") with Goldman, Sachs & Co. (the "Representative") acting on behalf of itself and Kinsell, Newcomb & De Dios, Inc. ("KND" and together with the Representative collectively referred to herein as the "Underwriters"), which Loma Linda University Medical Center (the "Medical Center") has approved, the City of Loma Linda, California (the "City") proposes to sell $[PAR AMOUNT] aggregate principal amount of City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds"). The offering of the Bonds is described in a preliminary official statement dated _____, 2005 (the "Preliminary Official Statement") and in an official statement dated the date hereof (the "Official Statement").

The Bonds shall be issued and secured under the provisions of a bond indenture related thereto dated as of October 1, 2005 (the "Bond Indenture"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds shall be payable from payments made by the Medical Center under a loan agreement related thereto dated as of October 1, 2005, by and between the Medical Center and the City (the "Loan Agreement"), from amounts held in certain funds established pursuant to the Bond Indenture and from payments on Obligation No. 2 (as hereinafter defined) by the Obligated Group (as hereinafter defined). The Bonds shall be further secured by an assignment of the right, title and interest of the City in the Loan Agreement and in Obligation No. 2, to the extent and as more particularly described in the Bond Indenture.

The Medical Center shall execute and deliver to the Trustee on the Closing Date, Obligation No. 2 ("Obligation No. 2") issued under the Master Indenture of Trust, dated as of October 1, 2005, as supplemented and amended (the "Master Indenture"), by and between the

Medical Center and any future Members of the Obligated Group (collectively, the "Obligated Group Members," the "Members," or the "Obligated Group") and U.S. Bank National Association, as master trustee (the "Master Trustee"), and the Supplemental Master Indenture for Obligation No. 2, dated as of October 1, 2005, by and between the Medical Center, and the Master Trustee ("Supplement No. 2"). The Medical Center will initially be the sole Member of the Obligated Group. Obligation No. 2 will evidence the obligation of the Members of the Obligated Group with respect to the Medical Center's payment obligation under the Loan Agreement. The obligation to make payments on Obligation No. 2 will constitute the joint and several obligations of the Members of the Obligated Group pursuant to the terms of the Master Indenture.

The Medical Center will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Medical Center and the Master Trustee, to provide annual and quarterly reports and notices of certain events relating to the Bonds.

The Medical Center will enter into a [Deposit Account Control Agreement,] dated as of October 1, 2005 (the "Deposit Account Control Agreement"), by and among the Medical Center, _____ (the "Deposit Account Bank"), and the Master Trustee with respect to the Gross Revenue Fund and the Gross Revenues.

The Medical Center will enter into a Fully Amended and Restated Deed of Trust and Security Agreement, dated October 1, 2005 (the "Deed of Trust") relating to certain of its facilities to secure its obligations under the Master Indenture, including Obligation No. 2.

The proceeds to be received from the sale of the Bonds will be used to (a) finance certain capital improvements at the healthcare facilities owned or operated by the Medical Center; (b) refund certain outstanding revenue bonds issued for the benefit of the Medical Center (the "Prior Bonds"); (c) fund a reserve account for the Bonds; and (d) pay certain of the costs of issuance of the Bonds.

In connection with the refunding of the Prior Bonds the Medical Center will enter into an escrow agreement relating to each of the Prior Bonds, with the respective trustee for each of the Prior Bonds, each dated as of the Closing Date (each, an "Escrow Agreement" and collectively, the "Escrow Agreements"), with respect to refunding of such Prior Bonds.

Terms having their initial letters capitalized which are not otherwise defined herein shall have the meanings ascribed to them in this Bond Purchase Contract.

In order to induce you to enter into the Bond Purchase Contract and to make the sale and purchase and reoffering of the Bonds therein contemplated, the Medical Center hereby represents, warrants and agrees with each of you as follows:

(1) The Medical Center is a nonprofit religious corporation duly incorporated and in good standing under the laws of the State of California, has and at the Closing Date will have full legal right, power and authority to enter into, to carry out and consummate all transactions contemplated by the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Bond Purchase Contract, this Letter of Representation, the Master Indenture,

Supplement No. 2, Obligation No. 2 the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust and the Official Statement to be consummated by it.

(2) The Bond Purchase Contract and the Official Statement have been duly approved by the Medical Center; and this Letter of Representation and the Bond Purchase Contract constitute and, at Closing, the Master Indenture, Supplement No. 2, Obligation No. 2, the Loan Agreement, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust and the Continuing Disclosure Agreement will constitute the legal, valid and binding agreements of the Medical Center enforceable against the Medical Center in accordance with their respective terms; in each case except as enforcement of each of the above-named documents may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance laws, laws affecting the enforcement of creditors' rights, the application of equitable principles and judicial discretion, the covenant of good faith and fair dealing that may be implied by law into contracts and except as the enforcement of the indemnification provisions contained herein may be limited by applicable securities laws or held to be against public policy.

(3) The Medical Center is not in any material way in breach of or default under (i) any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, except as set forth in the Official Statement, or (ii) any escrow agreement, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Medical Center is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, except as expressly set forth in the Official Statement, except for such defaults or breaches which would not materially adversely affect the consummation of the transactions contemplated by the Master Indenture, the Bond Indenture, the Loan Agreement, the Bond Purchase Contract, this Letter of Representation, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Continuing Disclosure Agreement or the Official Statement or that would not materially adversely affect the financial condition, assets, properties or operations of the Medical Center.

(4) The approval, execution and delivery of the Bond Purchase Contract, this Letter of Representation and the Official Statement; at the Closing, the execution and delivery of the Master Indenture, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Loan Agreement and the Continuing Disclosure Agreement; the consummation of the transactions herein and therein contemplated; and the fulfillment of or compliance with the terms and conditions hereof and thereof will not, in any material respect, conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Medical Center, any of their bylaws or any applicable law or administrative rule or regulation, any applicable court or administrative decree or order, or, any material indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which it is a party or by which it or its properties otherwise are subject or bound, or, result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Medical Center, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Master Indenture, the Bond Indenture, the Loan

Agreement, the Bond Purchase Contract, this Letter of Representation, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Continuing Disclosure Agreement or the Official Statement or that would materially adversely affect the financial condition, assets, properties or operations of the Medical Center.

(5) Except as disclosed in the Official Statement, no consent or approval of any trustee or holder of any indebtedness of the Medical Center, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Letter of Representation or the approval of the Bond Purchase Contract and the Official Statement or, at the Closing, the execution and delivery of the Master Indenture, the Loan Agreement, Supplement No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Continuing Disclosure Agreement or Obligation No. 2; or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect. We make no representation as to any approvals or actions as may be required under any state or federal Blue Sky or securities laws.

(6) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other government authority pending or, to the knowledge of the Medical Center, threatened against or affecting it or its assets, properties or operations which, if determined adversely to the Medical Center or its interests, would individually or in the aggregate have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Bond Purchase Contract, this Letter of Representation, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Continuing Disclosure Agreement or the Official Statement or would have a material adverse effect upon the financial condition, assets, properties or operations of the Medical Center, and the Medical Center is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 2, Obligation No. 2, the Escrow Agreements, the Deposit Account Control Agreement, the Deed of Trust, the Continuing Disclosure Agreement, the Bond Purchase Contract, this Letter of Representation or the Official Statement or the financial condition, assets, properties or operations of the Medical Center.

(7) The Medical Center is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, is not a private foundation as described in Section 509(a) of the Internal Revenue Code of 1986, as amended, or corresponding provisions of prior law, and the Medical Center is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended, except for unrelated business income subject to taxation under Section 511 of the Internal Revenue Code of 1986, as amended.

(8) The Medical Center is a corporation organized and operated exclusively for charitable purposes (within the meaning of Section 501(a) of the Internal Revenue Code of 1986, as amended), not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual, all within the meaning of Subsection 3(a)(4) of the

Securities Act of 1933, as amended, and of Subsection 12(g)(2)(D) of the Securities Exchange Act of 1934, as amended.

(9) The Medical Center has all necessary corporate power and authority to conduct the business now being conducted by it, to enter into this Letter of Representation and to be reimbursed (to the extent such reimbursement is available under applicable statutes, regulations and administrative practices) for its costs and expenses under all third party payor programs accounting for a significant portion of the Medical Center's gross revenues, including without limitation, Medicare and Medi-Cal.

(10) Except as otherwise disclosed in the Official Statement, the Medical Center has good and marketable title or leasehold interest to its health facilities free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture).

(11) The Medical Center has not incurred any material liability, direct or contingent, since December 31, 2004, nor has there been any material adverse change in the financial position, results of operation or condition, financial or otherwise, of the Medical Center since December 31, 2004, whether or not arising from transactions in the ordinary course of business.

(12) Between the date hereof and the Closing Date, the Medical Center, without the prior written consent of the Representative, except as described in or contemplated by the Official Statement, will not incur any material liabilities, direct or contingent, other than in the ordinary course of business.

(13) As of the date hereof, the Official Statement (including the financial statements and other financial and statistical data contained in the Official Statement), as amended or supplemented pursuant to the Bond Purchase Contract or this Letter of Representation, if applicable, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(14) If between the date hereof and the Closing Date any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Medical Center shall notify the City and the Representative and, if, in the opinion of the City or the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Medical Center will request the City to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Representative, and the Medical Center will cooperate in amending or supplementing the Official Statement in a form and in a manner approved by the Representative, at the expense of the Medical Center.

(15) After the Closing, the Medical Center will (a) not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, any of you shall reasonably object in writing or which shall be disapproved by your respective counsel and (b) if any event related to or affecting the City or the Medical Center or

their present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriters or the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, the Medical Center shall forthwith prepare and furnish to the Representative and the City (at the expense of the Medical Center) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters and counsel to the City) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Medical Center will furnish such information with respect to itself and its present and proposed facilities as any of you may from time to time reasonably request.

(16) To the extent permitted by law, the Medical Center agrees to indemnify and hold harmless the Underwriters and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Underwriters against any and all judgments, losses, claims, damages, liabilities and expenses (i) arising out of any statement or information in the Preliminary Official Statement or in the Official Statement that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is necessary to make the statements therein not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Medical Center; and the Medical Center will reimburse the Underwriters for any legal or other expenses, reasonably incurred by the Underwriters in connection with the investigating or defending any such action or claim as such expenses are incurred. In case any claim shall be made or action brought against the Underwriters or any controlling person based upon the Official Statement for which indemnity may be sought against the Medical Center, as provided above, the Underwriters shall promptly notify the Medical Center in writing setting forth the particulars of such claim or action, and the Medical Center, shall assume the defense thereof, including the retaining of counsel acceptable to the Underwriters and the payment of all expenses. The Underwriters or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless (i) the Medical Center shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the Underwriters or such controlling person or persons, and the Medical Center and the Underwriters or any such controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Medical Center, as the case may be, in which case the Medical Center shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

(17) To the extent permitted by law, the Medical Center agrees to indemnify and hold harmless the City and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the City and the officers, agents, members and employees of the City against any and all judgments, losses, claims, damages, liabilities and expenses (i) arising out of any statement or information in the Preliminary Official Statement or

in the Official Statement, including information by virtue of reference to other material, that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is necessary to make the statements therein not misleading in any material respect, and (ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Medical Center, and the Medical Center will reimburse the City and each other indemnified person for any legal or other expenses, reasonably incurred by the City or such indemnified person in connection with the investigating or defending any such action or claim as such expenses are incurred. In case any claim shall be made or action brought against the City or any controlling person based upon the Official Statement for which indemnity may be sought against the Medical Center, as provided above, the City shall promptly notify the Medical Center in writing setting forth the particulars of such claim or action, and the Medical Center, shall assume the defense thereof, including the retaining of counsel acceptable to the City and the payment of all expenses. The City or any such controlling person shall have the right to retain separate counsel in any such action and to participate in the defense thereof but shall bear the fees and expenses of such counsel unless (i) the Medical Center shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include the City or such controlling person or persons, and the Medical Center and the City or such controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Medical Center, as the case may be, in which case the Medical Center shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

(18) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Paragraphs (16) and (17) hereof is applicable but for any reason is held to be unavailable in accordance with law from the Medical Center, the Medical Center and the Underwriters shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with and any amount paid in settlement of any action, suit or proceeding or any claims asserted, but after deducting any contribution received by the Medical Center from persons who control the Medical Center within the meaning of the 1933 Securities Act, as amended, or officers of the Medical Center who signed the Official Statement (who may also be liable for contribution)) to which the Medical Center and the Underwriters may be subject in such proportion that the Underwriters is responsible for that portion represented by the percentage that the underwriting discount set forth in the Official Statement bears to the offering price appearing thereon, and the Medical Center are responsible for the balance; provided, however, that (i) in no case shall the Underwriters be responsible for any amount in excess of the underwriting discount applicable to the Bonds purchased by the Underwriters pursuant to the Bond Purchase Contract and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Paragraph (18), each person, if any, who controls any of the Underwriters within the meaning of the 1933 Securities Act, as amended, shall have the same rights to contribution as such Underwriters, and each person, if any, who controls the Medical Center within the meaning of the 1933 Securities Act, as amended, and each officer of the Medical Center who shall have signed the Official Statement shall have the same rights to contribution as the Medical Center, subject in each case to clauses

(i) and (ii) of this Paragraph (18). Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Paragraph (18), notify such party or parties from whom contribution may be sought, but the omission to so notify such party from whom contribution may be sought shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this Paragraph (18). No party shall be liable for contribution with respect to any action or claim settled without its consent.

(19) The Medical Center will not use the proceeds of the Bonds in such a manner that they would be deemed used by an "exempt person" in an "unrelated trade or business" within the meaning of Section 513(a) of the Internal Revenue Code of 1986, as amended, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds under Section 103 of said Code.

(20) The Medical Center has all permits, licenses, accreditations and certifications, including without limitation, licensing and certification of the Property (as defined in the Master Indenture), necessary to conduct its business as it is presently being conducted.

(21) The Medical Center has filed all annual reports when and where they are required to be filed pursuant to any continuing disclosure undertaking executed and delivered by the Medical Center pursuant to Rule 15c-2-12 of the Securities and Exchange Commission (the "Rule") that has been binding on the Medical Center, and has filed all required notices of "listed events" as described in the Rule, when and where such notices are required to be filed pursuant to such continuing disclosure agreements, except as noted in the Preliminary Official Statement.

(22) The Medical Center hereby agrees to pay the expenses described in Paragraph 5 of the Bond Purchase Contract and to pay any expenses incurred in amending or supplementing the Official Statement pursuant to the Bond Purchase Contract or this Letter of Representation.

The representations, warranties, agreements and indemnities herein shall survive the Closing under the Bond Purchase Contract and any investigation made by or on behalf of any of you or any person who controls any of you of any matters described in or related to the transactions contemplated hereby and by the Bond Purchase Contract, the Official Statement, the Bond Indenture, the Loan Agreement, Obligation No. 2, the Master Indenture, the Continuing Disclosure Agreement, Supplement No. 2, the Escrow Agreements, the Deposit Account Control Agreement, and the Deed of Trust.

This Letter of Representation shall be binding upon and inure solely to the benefit of each of you and, to the extent set forth herein, the Medical Center, persons controlling any of you, and their respective officers, employees, agents and personal representatives, successors and assigns (but not including the holders of the Bonds), and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation. No recourse under or upon any obligation, covenant or agreement contained in this Letter of Representation shall be had against any officer or director of the Medical Center as individuals, except as caused by their bad faith.

If the foregoing is in accordance with your understanding of the agreement among us, kindly sign and return to the Representative a duplicate of this Letter of Representation whereupon this will constitute a binding agreement among us in accordance with the terms hereof.

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

LOMA LINDA UNIVERSITY MEDICAL CENTER

By:_____
Authorized Representative

Accepted and Agreed to:

GOLDMAN, SACHS & CO.
KINSELL, NEWCOMB & DE DIOS, INC.

By: GOLDMAN, SACHS & CO.,
as Representative

_____

CITY OF LOMA LINDA

By:_____
Authorized Representative

EXHIBIT B TO
BOND PURCHASE CONTRACT

$[PAR AMOUNT]
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center),
Series 2005A

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield

EXHIBIT C TO
BOND PURCHASE CONTRACT

PROPOSED FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL

[FORM TO BE PROVIDED BY BOND COUNSEL,
WITH OPINIONS SUBSTANTIALLY AS FOLLOWS]

Re: City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A
(Supplemental Opinion)

(i) assuming due authorization, execution and delivery by all the parties thereto (other than the City), the Bond Purchase Contract has been duly authorized, executed and delivered by the City and constitutes a legal, valid and binding agreement of the City and is enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought and by the limitations on legal remedies against public agencies in the state of California;

(ii) the statements contained in the Official Statement, dated _____, 2005 (the "Official Statement"), in the sections thereof entitled: "THE BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" "TAX MATTERS," "APPENDIX C—SUMMARY OF PRINCIPAL DOCUMENTS" and "APPENDIX E—FORM OF OPINION OF BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 2, or our approving legal opinion, dated the date hereof and concerning certain federal tax matters relating to the Bonds, are accurate in all material respects.

EXHIBIT D TO
BOND PURCHASE CONTRACT

PROPOSED FORM OF OPINION OF COUNSEL TO THE CITY

[CLOSING DATE]

City of Loma Linda
25541 Barton Road
Loma Linda, California 92354

Goldman, Sachs & Co.,
as Representative of the Underwriters
New York, New York

Loma Linda University Medical Center
Loma Linda, California

$_____
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center)
Series 2005A

Ladies and Gentlemen:

This opinion is delivered to you pursuant to the Bond Purchase Contract dated _____, 2005 (the "Bond Purchase Contract"), among the City of Loma Linda, California (the "City"), Goldman, Sachs & Co. as representative of the Underwriters named therein (the "Underwriters") and Loma Linda University Medical Center (the "Corporation"), in connection with the issuance by the City of $_____ in aggregate principal amount of its Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds") pursuant to a Bond Indenture dated as of October 1, 2005 (the "Bond Indenture"), between the City and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). The Bonds are being issued for the purpose of making a loan of the proceeds thereof to the Corporation pursuant to a Loan Agreement dated as of October 1, 2005 (the "Loan Agreement") between the Corporation and the City.

The opinions or conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution

and delivery thereof by, and validity against, any parties other than the City. We have further assumed compliance with all covenants and agreements contained in such documents other than those of the City. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Bond Indenture, the Loan Agreement, and the Bond Purchase Contract may be subject to bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

As counsel for the City in connection with the issuance of the Bonds, I have examined certain documents, records and proceedings as I have deemed necessary and appropriate for the purpose of this opinion and, on the basis of the foregoing and upon consideration of applicable law, I am of the opinion that:

1. The City is a municipal corporation and charter city duly organized and validly existing under a freeholder's charter under the Constitution and laws of the State of California and has corporate power and authority to consummate and carry out all transactions contemplated by the Bond Purchase Contract.

2. The Official Statement used in connection with the issuance and sale of the Bonds (the "Official Statement") has been duly authorized, executed and delivered by the City. The City has duly authorized Goldman, Sachs & Co., as representative of the underwriters, to use the Official Statement in its efforts to sell the Bonds.

3. Without assuming any responsibility for the accuracy, completeness or fairness of the information or the statements contained in the Official Statement, to my knowledge, the information relating to the City in its limited role as the conduit issuer of the Bonds contained in the Official Statement under the headings "THE CITY" and "ABSENCE OF MATERIAL LITIGATION" (solely as it relates to the City) does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4. The Resolution of the City Council of the City approving and authorizing the execution and delivery of the Bond Indenture, the Bond Purchase Contract, the Bonds, the Loan Agreement and the Official Statement was duly adopted at a meeting of the City Council which was called and held pursuant to law and all public notices required by law and the procedural rules of the City Council and at which a quorum was present and acting throughout.

5. There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body known to be pending or threatened against or affecting the City to restrain or enjoin the issuance of delivery of the Bonds or the collection of revenues pledged under the Bond Indenture or the assignment of the Loan Agreement under the Bond Indenture, in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Loan Agreement, the Bond Indenture or the Bond Purchase Contract or in any way contesting the existence of powers of the City with respect to the issuance of the

Bonds or the security therefor wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Official Statement, the Bond Indenture, the Loan Agreement or the Bond Purchase Contract or the validity of the Bonds.

6. The execution and delivery of the Bonds, the Bond Indenture, the Loan Agreement and the Bond Purchase Contract and compliance with the provisions thereof under the circumstances contemplated thereby do not and will not conflict with or constitute on the part of the City a breach or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject, the result of which breach or default would be to materially adversely affect the City's ability to perform its obligations under the Loan Agreement, the Bond Indenture, the Bonds or the Bond Purchase Contract.

7. The Loan Agreement, the Bond Indenture, the Bonds and the Bond Purchase Contract have been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, are valid and binding obligations of the City enforceable in accordance with their terms subject to laws relating to bankruptcy, insolvency, reorganization, or creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

8. All right and title to the payments due under the Loan Agreement have been duly and legally assigned and pledged to the Bond Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

Respectfully submitted,

CITY ATTORNEY

EXHIBIT E TO
BOND PURCHASE CONTRACT

PROPOSED FORM OF OPINION OF COUNSEL TO THE
MEDICAL CENTER
[Opinion to be finalized by Counsel to the Medical Center and the working group]

[CLOSING DATE]

City of Loma Linda
Loma Linda, California

Stradling, Yocca, Carlson & Rauth LLP
Newport Beach, California

Goldman, Sachs & Co.,
as Representative of the underwriters
New York, New York

U.S. Bank National Association
Los Angeles, California

Re: City of Loma Linda, California Hospital Revenue Bonds
(Loma Linda University Medical Center) Series 2005A

Ladies and Gentlemen:

We have acted as counsel to the Loma Linda University Medical Center, a nonprofit religious corporation (the "Corporation"), engaged in that capacity to act as the Corporation's counsel in connection with the issuance of the City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center) Series 2005A (the "Bonds") in the aggregate principal amount of $_____. This opinion is delivered pursuant to Section 3(e)(4) of the Bond Purchase Contract between the City of Loma Linda, California (the "City") and Goldman, Sachs & Co., as Representative of the underwriters named in the Bond Purchase Contract (the "Underwriters") and approved by the Corporation dated _____, 2005 (the "Purchase Contract"). All capitalized terms used but not defined herein shall have the meanings set forth in the Indenture (defined below).

The Bonds are being issued pursuant to that certain bond indenture, dated as of October 1, 2005 (the "Indenture"), between the City and U.S. Bank National Association, as trustee (the "Trustee") and sold to the Underwriters pursuant to the Purchase Contract. The proceeds from the sale of the Bonds are to be loaned to the Corporation pursuant to that certain loan agreement, dated as of October 1, 2005 (the "Loan Agreement"), between the City and the Corporation. We understand that the proceeds of the Bonds are to be used primarily to refund the Prior Bonds (as defined in the Indenture), finance a portion of the Project (as defined in the Indenture) and pay costs of issuance.

[Add description of 1999 docs]

[Add description of MTI, Supplements and Obligations]

An official statement, dated _____, 2005 (the "Official Statement"), has been prepared to furnish information with respect to the sale and delivery of the Bonds. In connection with the foregoing, the Corporation will execute and deliver a Deed of Trust with Assignment of Rents and Fixture Filing, dated as of _____, 2005 (the "Deed of Trust") executed by the Corporation with respect to certain real property described herein (the "Real Property").

1. Documents Reviewed.

In connection with our representation of the Corporation in this regard, we have reviewed only the following records, certificates and other documents:

1.1 Agreements

(a) An executed counterpart of the Letter of Representations;

(b) An executed counterpart of the Purchase Contract;

(c) An executed counterpart of the Loan Agreement;

(d) An executed counterpart of the Indenture;

(e) An executed counterpart of the Amended and Restated Indenture;

(f) An executed counterpart of the Amended and Restated Project Agreement;

(g) An executed counterpart of the Master Indenture;

(h) An executed counterpart of Supplement No. 1;

(i) An executed counterpart of Obligation No. 1;

(j) An executed counterpart of Supplement No. 2;

(k) An executed counterpart of Obligation No. 2;

(l) A copy of the Deed of Trust;

(m) A copy of the Official Statement;

(n) An executed counterpart of that certain continuing disclosure agreement, between the Corporation and the Trustee, dated as of October 1, 2005 (the "Continuing Disclosure Agreement");

(o) An executed counterpart of a tax certificate and agreement executed by the City and the Corporation, dated _____, 2005 (the "Tax Certificate and Agreement");

(p) An executed counterpart of the Deposit Account Control Agreement, between the Corporation, the Trustee and [Depository Bank[s]], dated October 1, 2005 (the "Deposit Account Control Agreement").

1.2 Corporation Documents.

(a) A copy of the Articles of Incorporation of the Corporation, as amended, certified as true and correct by the Secretary of State of the State of California on _____, 2005, and by an officer of the Corporation as of the date of this opinion letter;

(b) A Certificate of Status Domestic Corporation of the Corporation issued by the Secretary of State of the State of California on _____, 2005;

(c) An Exempt Letter of Good Standing for the Corporation from the Franchise Tax Board of the State of California, dated _____, 2005;

(d) The Bylaws of the Corporation, as amended to date, certified as true and correct by an officer of the Corporation as of the date of this opinion letter;

(e) A resolution relating to the transaction herein referred to, adopted by the Board of Trustees of the Corporation at a meeting held on _____,____;

(f) Copies of the Diligence Materials, including Material Contracts (as defined in Section 1.3(e) below), represented to us by the Corporation as being true and complete copies;

(g) The group exemption letter from the Internal Revenue Service to the General Conference of Seventh-day Adventists dated January 6, 1950, (ii) Publication 78, Cumulative List of Organizations dated _____, and (iii) the [2004] Seventh-day Adventist Yearbook (collectively, the "IRS Determination");

1.3 Officers' Certificates.

(a) Officer's Certificate dated _____;

(b) Certificate of Officers executed by the Vice President and Chief Financial Officer, and the Director of Finance and Business Services and Assistant Treasurer of the Corporation, dated _____;

(c) Certificate of Officers regarding Hazardous Materials executed by the Director of Occupational Health and Safety and the Vice President and Chief Financial Officer of the Corporation, dated _____;

(d) Certificate of Officers regarding Tax-Exempt Status, dated _____, attaching evidence of the Corporation's status as a Corporation described in Section 501(c)(3) of the Internal Revenue Code, of 1986, as amended (the "Code") and certifying as to certain facts with respect thereto;

(e) Certificate of Officers regarding Permitted Liens, Diligence Materials and Material Contracts executed by the Vice President and Chief Financial Officer of the Corporation, dated _____, containing, among other things, a list of all mortgages, indentures, deeds of trust and other indebtedness, by which the Corporation is bound and which

have been identified to us by the Corporation as material [Material Contracts will include those contracts that the Corporation has identified to us as material (a small subset of the list of contracts with payments of $1,000,000 per year and more previously delivered to the financing team/all leases (private use issues), all contracts that could potentially conflict with or require consent for this transaction that are identified to us by the Corporation (the "Material Contracts");

(f) Tax Questionnaire, with copies of referenced materials, including without limitation the Corporation's Form 990s for the past five years, 1023 application, Publication 78 and the minutes of the Board of Trustees for the last five years, dated _____, 2005.

1.4 Other.

(a) A copy of a UCC-1 Financing Statement, dated _____, filed with the California Secretary of State as file no. _____ (the "Financing Statement").

(b) A copy of the results of a UCC-3 search of the records of the Secretary of State.

(c) A copy of the Preliminary Title Report issued by Chicago Title (the "Title Insurer"), dated _____, (the "Preliminary Title Report").

(d) A copy of our written instructions to the Title Insurer, dated _____, describing (among other things) the exceptions to title which may be reflected in the final policy of title insurance to be issued by the Title Insurer and oral confirmation of acceptance from _____, title officer, of those instructions and commitment to issue such final policy of title insurance upon recordation of the Deed of Trust (the "Insurance Commitment").

2. Certain Defined Terms.

2.1 For purposes of this opinion, documents referred to in Section 1.1 shall be referred to collectively as the "Transaction Documents."

2.2 For purposes of this opinion, documents referred to in Section 1.2 shall be referred to collectively as the "Corporation Documents."

2.3 For purposes of this opinion, the documents referred to in Section 1.3 shall be referred to as the "Officer's Certificates."

2.4 For purposes of this opinion, "Collateral" means the personal property described in the Financing Statement.

2.5 For purposes of this opinion, "Mortgaged Premises" means the real property more particularly described in the Deed of Trust, as amended.

3. General Assumptions; Scope of Opinion.

3.1 In our examination of the Transaction Documents, Officers' Certificates, and the Corporation Documents, we have assumed the following:

(a) the conformity to the originals of all documents submitted to us as copies, the conformity to the final documents of all documents submitted to us in draft form, and the authenticity of all documents submitted to us as originals;

(b) except with respect to the Corporation (and any person executing any of the Transaction Documents on behalf of the Corporation), that each of the parties to the Transaction Documents has duly and validly executed and delivered each of the Transaction Documents and such party's obligations set forth in the Transaction Documents are its legal, valid, and binding obligations, enforceable in accordance with their respective terms;

(c) that each person, other than the Corporation (or any person executing any of the Transaction Documents on behalf of the Corporation), executing any of the documents, whether individually or on behalf of an entity, is duly authorized to do so;

(d) that all signatures on documents are genuine;

(e) that all applicable Transaction Documents will be duly indexed and recorded among the appropriate official records, with all fees, charges and taxes having been paid;

(f) that any obligations of parties other than the Corporation will be timely performed by the parties to perform the same (except to the extent timely performance is lawfully excused); and

(g) that the rights and remedies set forth in the Transaction Documents will be exercised by the parties thereto in a commercially reasonable manner, and each of the parties thereto will abide by the implied covenant of good faith and fair dealing imposed by California law.

3.2 In rendering this opinion, we have assumed that: (i) none of the Collateral will consist of consumer goods, farm products, farm equipment, crops (growing or to be grown), timber or materials and the like (including oil and gas) or accounts resulting from the sale thereof or beneficial interest in a trust's or a decedent's estate; (ii) we have not independently verified the existence, condition, location or ownership of any of the Collateral and have assumed that Borrower has "rights" in the Collateral (as defined in the California Uniform Commercial Code (the "UCC") Section 9203) and has title and owns the Collateral and will have title to and will own the Collateral as of the date of the Transaction Documents and at all relevant times applicable to this opinion; (iii) the Corporation will receive (and/or has received, as the case may be) a reasonably equivalent value in exchange for the execution and delivery of each of the Transaction Documents to which it is a party; (iv) the description of the Mortgaged Premises contained in Exhibit A to the Deed of Trust and the description of the Collateral contained in the Financing Statement, as amended, are legally sufficient to enable a subsequent purchaser to identify such property; and (iv) with respect to fixtures which are included in the personal property, such fixtures are located on the Mortgaged Premises and the Corporation had, at the

time of recording the fixture filing and continues to have to the present, an interest of record in the Mortgaged Premises.

3.3 To render this opinion, we have made only the investigations described expressly herein. Except as otherwise expressly described herein, we have not independently verified factual information obtained from others including, without limitation, information contained in the Officers' Certificates, and we expressly disclaim any obligation to do so. We have not made any further investigation or inquiry into the factual matters described, whether or not of public record or contained in our files.

3.4 Matters stated herein to be "to our knowledge" or "based solely upon our knowledge" shall refer to the current actual knowledge as of the date of this opinion of the attorneys presently in this firm who have performed substantive work in connection with the transaction which is described in the first paragraph of this opinion without investigation or inquiry by such attorneys of any nature and shall not be deemed to include matters which could or should be known to such persons upon a review of their files or other items in their possession but not currently known to them as of the date of this opinion.

3.5 We have prepared the Officers' Certificates referenced in Section 1.3 for purposes of rendering this opinion. In preparing each Officer's Certificate, we have conducted discussions with certain officers and employees of the Corporation, and have asked such questions as we deemed necessary or appropriate to elicit the facts as described in the applicable Officer's Certificate. To the extent we are relying on the representations and warranties of the Corporation and of the parties contained in the Transaction Documents in rendering this opinion, we have no current actual knowledge that such representations are false; however, we have not undertaken any special investigation other than that described herein of the facts to which such representations relate and we do not undertake any obligation to do so.

3.6 Our opinions expressed below as to compliance with certain laws, statutes, rules and regulations are based upon those California and Federal laws, statutes, rules and regulations which in our experience are normally applicable to financing transactions of the type contemplated by the Transaction Documents, and specifically does not include, without limitation, any review of laws, statutes, rules or regulations pertaining to labor law, environmental law or law relating to the licensing and permitting of hospitals.

3.7 Where we opine as to Material Contracts, we refer to those contracts identified to us as material by the Corporation in the Officers' Certificates. We have not made any further investigation or inquiry into the nature of the contractual obligations of the Corporation.

3.8 We express no opinion as to the effectiveness or enforceability of any documents or instruments other than as expressly described herein, nor do we opine with respect to any future modifications, amendments or additional documents or instruments that may be entered into by or among the parties to this transaction.

3.9 [Where we opine as to the performance by the Corporation of its obligations under the Transaction Documents, or any of them, we refer solely to any rights or obligations of the corporation for the borrowing of monies, the repayment of monies and the granting of a

security interest in the Mortgaged Premises and the collateral in connection therewith. **To be revised to not undermine opinion that covenants in Transaction Documents are also enforceable.**]

4. Opinion.

On the basis of the foregoing, and in reliance thereon, and subject to the qualifications, limitations, assumptions and exceptions set forth below, we are of the opinion that, as of the date hereof:

4.1 The Corporation is a nonprofit religious corporation duly organized, validly existing and in good standing in the State of California and has full corporate power and authority to enter into the Transaction Documents to which the Corporation is a party, and to approve and execute the Official Statement.

4.2 The Transaction Documents to which the Corporation is a party have been duly authorized, executed and delivered by the Corporation. The Official Statement and the Purchase Contract have been duly approved by the Corporation.

4.3 The Transaction Documents to which the Corporation is a party constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their terms.

4.4 All corporate proceedings legally required to be taken by the Corporation in connection with the authorization and delivery of the Transaction Documents and the Official Statement have been taken and, to our knowledge, all approvals, authorizations, consents or other orders of or filings or registrations with public boards or bodies, if any, as may be legally required to be obtained by the Corporation prior to the date of this opinion for the due authorization and delivery of the Transaction Documents have been obtained or completed (except that no opinion is expressed with respect to federal and state securities laws).

4.5 The Corporation (a) has the corporate power and authority to (i) perform its obligations under the Transaction Documents, and (ii) conduct its hospital business as now being conducted by it, (b) is licensed by the Department of Health Services of the State of California to operate its general acute care hospitals at [main campus and east campus], and (c) has entered into contracts to be paid or reimbursed for its costs and expenses under the third party payor programs identified to us by the Corporation, including without limitation, Medicare and Medi-Cal.

4.6 The execution and delivery of the Transaction Documents by the Corporation and the performance by the Corporation of its obligations thereunder and the approval by the Corporation of the Official Statement and the Purchase Contract will not (a)(i) conflict with or violate any provision of the Articles of Incorporation or Bylaws of the Corporation, (ii) constitute a material default on the part of the Corporation under any Material Contract, or (iii) to our knowledge, conflict with or violate any present California or federal statute or law or administrative rule or regulation applicable to the Corporation (except that no opinion is expressed with respect to federal or state securities laws) or any order, writ, judgment,

injunction, decree or award to which the Corporation is a party, where such conflict or violation would have a material adverse effect on the operation or financial condition of the Corporation, or (b) result in the creation of imposition of any lien, charge or encumbrance upon any of the property or assets of the Corporation, other than Permitted Liens (as defined in the Master Indenture).

4.7 To the best of our knowledge, except as expressly set forth and based upon the review described in this paragraph, each exception shown on Schedule B of the policy of title insurance referenced in Section _____ above is a Permitted Lien as defined in the Master Indenture. The opinion described in this paragraph 4.7 is expressly limited as follows:

(a) With respect to each exception shown on Schedule B which reflects an agreement or other document, this opinion is based solely upon our review of the terms and conditions of each such document. We expressly disclaim any opinion based upon any information other than information obtainable directly from the documents reviewed.

(b) We expressly disclaim any information which could be gained by physical inspection of the Mortgaged Premises, the review of any survey or other information other than a review of the Title Policy and documents described therein.

(c) We expressly disclaim any opinion regarding the materiality or other nature of any such exception shown on Schedule B.

4.8 To our knowledge, no order, consent, permit or approval of any trustee or holder of any indebtedness of the Corporation is necessary in connection with the approval of the Purchase Contract or the execution and delivery of the Transaction Documents and the Official Statement or the performance by the Corporation of the obligations therein contemplated, except as have been obtained. We express no opinion as to any approvals or consents as may be required under any state or federal blue sky or securities laws.

4.9 To our knowledge, there are no actions, suits or proceedings pending against or threatened against the Corporation or the assets, properties or operations of the Corporation other than as described in the Official Statement or the Certificate of Officers regarding Permitted Liens, Diligence Materials and Material Contract executed by the Vice President and Chief Financial Officer of the Institute, dated _____, 2005. We have not, with your consent, searched court records but have relied on the Officers' Certificates.

4.10 Based upon the IRS Determination and the Tax Questionnaire and based upon our review and analysis of the documents and transactions referenced in the Tax Questionnaire, the Corporation is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") or corresponding provisions of prior law, and to our knowledge, the Corporation has received no notice that such IRS Determination has been modified, limited or revoked as to the Corporation; and the Corporation is exempt from federal income tax under Section 501(a) of the Code, except as otherwise provided by Section 501(b) of the Code. We express no opinion as to the inclusion or exclusion of interest on the Bonds from the gross income of the owners thereof for federal income taxation purposes or as to the exemption of interest from personal income taxation of the State of California.

4.11 To our knowledge, no facts have come to our attention that would lead us to conclude that the proceeds of the Bonds will be used by the Corporation in any activity or activities that, as to it, constitute an "unrelated trade or business" within the meaning of section 513(a) of the Code to such an extent or in such a manner as would cause the Bonds to fail to be "qualified 501(c)(3) bonds" within the meaning of section 145(a) of the Code.

4.12 The Corporation is a corporation organized and operated exclusively for charitable purposes (within the meaning of Section 501(a) of the Code), not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

4.13 To our knowledge, the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, or, to our knowledge, in breach of or default under any Material Contract. To our knowledge, no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any Material Contract.

4.14 The Master Indenture is exempt for qualification under the Trust Indenture Act of 1939, as amended, and Obligation No. 1 and Obligation No. 2 are exempt from registration under the Securities Act of 1933, as amended.

4.15 To the extent that a security interest may be created in the Gross Revenues (as defined in the Master Indenture) of the Corporation certain of its deposit accounts (as defined in Article 9 of the Uniform Commercial Code, as adopted by the State of California (the "UCC")), the Master Indenture grants a security interest under the UCC in the rights of the Corporation in and to such Gross Revenues while such Gross Revenues are in a deposit account(s) over which the Trustee, as secured party, has acquired "control" under Section 9104 of the UCC (the "Gross Revenue Collateral").

4.16 Pursuant to the UCC, the Trustee will have a perfected security interest in that portion of the Gross Revenue Collateral which is deposited in a deposit account (as defined in the UCC), so long as the Trustee has "control" of such deposit account under Section 9104 of the UCC. The Deposit Account Control Agreement is in proper form to grant control in the deposit accounts described therein to the Trustee pursuant to the UCC.

4.17 [Add opinion regarding security interest in Property, Plant and Equipment.]

4.18 The Deed of Trust is in form sufficient to create a lien on the Mortgaged Property (as defined in the Deed of Trust) in favor of the Master Trustee.

4.19 We have not undertaken, except as otherwise indicated in this opinion letter, to determine independently, and we do not assume any responsibility for, the accuracy or completeness of the statements in the Official Statement. Subject to the foregoing, no facts have come to our attention which lead us to believe the Official Statement as of its date or as of the date hereof contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Our opinion in the previous sentence is limited to the extent that we are not passing upon any information related to the City, or the Depository Trust Company, financial statements, notes to financial statements or

other financial, demographic or statistical data contained in the Official Statement or information in Appendix B, C, D, E and F of the Official Statement, nor do we assume any responsibility for the accuracy, completeness or fairness of any of such statements, information or data in the Official Statement.

5. Exceptions.

The foregoing opinions are subject to the qualifications that we express no opinion as to:

5.1 The enforceability of the Transaction Documents to the extent any such documents may be limited by (i) applicable bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally, (ii) legal or equitable principles limiting the enforceability of any of the remedies, covenants or other provisions pursuant to a court proceeding in equity or at law, or (iii) public policy which limits a debtor's right to waive the benefit of certain statutory provisions;

5.2 The enforceability of payment obligations of the Corporation under the Transaction Documents (i) to the extent payments are to be made from assets of the Corporation which are donor-restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments, or (ii) to the extent payments would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Corporation.

5.3 The enforceability under certain circumstances of provisions expressly or by implication waiving stated rights, unknown future rights, defenses to obligations or rights granted by law, when such waivers are against public policy or prohibited by law or are violative of equitable principles as determined by a court;

5.4 The unenforceability under certain circumstances under California or federal law or court decisions of provisions releasing a party against liability for wrongful or negligent acts or indemnifying a party to the extent that the events giving rise to the indemnity arise in whole or in part from the wrongful or negligent acts of the indemnitee, where such release or indemnification is contrary to public policy or law;

5.5 The effect of California Civil Code Section 1670.5 which may limit the enforceability of any provision in the Transaction Documents which a court finds as a matter of law or equity to have been unconscionable at the time it was made;

5.6 The enforceability under certain circumstances of provisions imposing liabilities constituting (although not necessarily identified as) penalties or forfeitures or providing for unreasonable late payment charges or an unreasonable increase in interest rate upon delinquency in payment or upon the occurrence of a default;

5.7 The enforceability of any provision which limits those provisions of the UCC which require a secured party, in any disposition of personal property collateral, to act in good faith and in a commercially reasonable manner;

5.8 The enforceability of any covenants or provisions where (i) the breach of such covenants or provisions imposes restrictions or burdens upon the debtor, including the acceleration of indebtedness due under debt instruments, and it cannot be demonstrated that the enforcement of such restrictions or burdens is reasonably necessary for the protection of the creditor, or (ii) the creditor's enforcement of such covenants or provisions under the circumstances would violate the creditor's implied covenant of good faith and fair dealing;

5.9 The enforceability under certain circumstances of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, that election of a particular remedy or remedies does not preclude recourse to one or more other remedies or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy;

5.10 The enforceability of the Transaction Documents as they relate to the procedural requirements of applicable law, which apply to the enforcement of deeds of trust and other security agreements, including, without limitation, anti-deficiency and one-form-of-action legislation in California (Sections 726, 580b and 580d of the California Code of Civil Procedure), the unenforceability under certain circumstances of contractual provisions respecting various summary remedies or "self-help" remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose substantial penalty upon the burdened party;

5.11 The availability of any specific performance remedy, any injunctive relief or any equitable remedy.

6. Additional Assumptions, Limitations, Qualifications and Exceptions as to the Opinion.

We specifically call your attention to certain general principles of California law, and our opinions are limited by, the following:

6.1 Those provisions in the Transaction Documents imposing late charges or additional interest in the event of default or prepayment penalties are governed by the rules relating to "liquidated damages" as set forth in California Civil Code Section 1671, et seq., and relevant case law. Moreover, to the extent that late charges would otherwise be allowed, California Civil Code Section 2954.5 imposes certain requirements of notice with respect to the imposition of such charges.

6.2 To the extent the Deed of Trust purports to secure the performance of nonmonetary obligations, you should be aware that the remedy upon breach of any such nonmonetary obligation may be limited to acceleration of the indebtedness secured by the Deed of Trust and the pursuit of recovery of such indebtedness in accordance with the terms of the Deed of Trust and applicable statutory procedural requirements;

6.3 Section 1717 of the California Civil Code provides that, where a contract permits one party to the contract to recover attorneys' fees, the prevailing party in any action to enforce any provision of the contract shall be entitled to recover its reasonable attorneys' fees;

6.4 The enforceability of the Transaction Documents is subject to any evidence extrinsic to the provisions of the Transaction Documents that the parties intended in meaning contrary to those expressed by those provisions and we express no opinion on the effect on the enforceability of the Transaction Documents of decisions by California courts admitting evidence extrinsic to a written agreement between the parties thereto that the parties intended a meaning contrary to that expressed by the parties in writing; however, we have no current actual knowledge of any such extrinsic matters;

6.5 We express no opinion as to compliance with California or federal usury laws or other laws dealing with the charging of interest on loans and other forbearance of money.

7. General Limitations.

7.1 Our opinions are limited in all respects to the substantive law of the State of California and, where applicable, the substantive law of the United States. Insofar as they relate to the creation, perfection and effect of perfection or non-perfection of a security interest or a lien in or on personal property or real property, the opinions set forth in this letter are limited to Collateral which is governed by California law relating to the creation, perfection and effect of perfection or non-perfection of a security interest or a lien in or on personal property or real property. Accordingly, we express no opinion as to the laws of any other state or the creation, perfection and effect of perfection or non-perfection of a security interest or lien in or on Collateral subject to the laws of another state.

7.2 We express no opinion with regard to the truth or accuracy of the factual schedules, certificates or other materials furnished. After undertaking no investigation of the subject matters, we have no actual knowledge that any such factual schedules, certificates or other materials are not truthful or accurate.

8. Reliance.

This opinion is being rendered pursuant to the issuance of the Bonds as of the date hereof solely for the benefit of the persons identified on the first page of this letter in connection with the transaction described herein and may not be used, circulated, quoted, copied or relied upon for any other purposes nor may it be relied upon by any other entity without our express written approval. The opinions rendered herein apply only to the transaction referred to above and do not address any previous or subsequent transaction. We express no opinion with respect to any future modifications, amendments or additional documents or instruments that may be entered into by or among the parties to this transaction. We make no undertaking to supplement this opinion if, after the date hereof, facts or circumstances come to our attention or changes in the law occur which could affect this opinion.

Very truly yours,

DLA PIPER RUDNICK GRAY CARY US LLP

EXHIBIT F TO
BOND PURCHASE CONTRACT

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies as follows:

(a) the undersigned is an authorized officer of U.S. Bank National Association, a banking corporation duly organized and validly existing under the laws of the United States and serving as trustee (the "Trustee") under the Bond Indenture, dated as of October 1, 2005 (the "Bond Indenture"), between the Trustee and the City of Loma Linda, California (the "City"), pursuant to which the City issued its $[PAR AMOUNT] Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds") and the Continuing Disclosure Agreement, dated the date hereof (the "Continuing Disclosure Agreement") between the Trustee and Loma Linda University Medical Center;

(b) to the knowledge of the undersigned officer, the execution and delivery of the Bond Indenture and the Continuing Disclosure Agreement and compliance with the provisions on the Trustee's part contained therein will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, or decree (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Bond Indenture under the terms of any such law, administrative regulation, judgment, or decree, except as provided in the Bond Indenture;

(c) to the knowledge of the undersigned officer, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, that has been served on or threatened against the Trustee affecting the existence of the Trustee or the entitlement of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the execution and delivery of the Bond Indenture or the Continuing Disclosure Agreement or the collection of revenues pledged or to be pledged to pay the principal, premium, if any, and interest on the Bonds or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bond Indenture or the Continuing Disclosure Agreement, or contesting the power or authority of the Trustee to enter into, adopt or perform its obligations under the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bond Indenture;

(d) within the scope of its trust obligations imposed by the Bond Indenture or the Continuing Disclosure Agreement, the Trustee will furnish such information as it has in its possession, execute such applications and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in writing in order to enable (i) the qualification of the Bonds for offer and sale under the Blue Sky or other securities laws and

regulations of such states and other jurisdictions of the United States of America as the Underwriters may designate and (ii) the determination of the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, or to enable the continuance of such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Trustee be required to take any action that would (i) subject it to any service of process in any jurisdiction in which it is not now so subject or (ii) result in it doing business in any jurisdiction in which it is not now so doing business.

Unless otherwise specified, all capitalized terms used herein shall be as defined in the Bond Purchase Contract, dated _____, 2005, between Goldman, Sachs & Co. as representative of the underwriter named therein (the "Underwriters") and the City and approved by the Medical Center.

Dated: [Closing Date]

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By:_____
Authorized Officer

EXHIBIT G TO
BOND PURCHASE CONTRACT

PROPOSED FORM OF OPINION OF COUNSEL TO THE TRUSTEE

[Closing Date]

City of Loma Linda
Loma Linda, California

Goldman, Sachs & Co.,
as Representative of the Underwriters
New York, New York

Loma Linda University Medical Center
Loma Linda, California

City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center)
Series 2005A

Ladies and Gentlemen:

We have acted as counsel for U.S. Bank National Association, a national banking association (the "Trustee") in connection with the execution by the Trustee in its capacity as Bond Trustee of the Bond Indenture, dated as of October 1, 2005 (the "Indenture"), by and between the City of Loma Linda, California and the Trustee, as Trustee relating to the above-captioned Bonds, and are generally familiar with the Articles of Association and the Bylaws of the Trustee and are also familiar with the corporate proceedings of the Trustee with regard to its authorization, execution and delivery of the Indenture and the Continuing Disclosure Agreement, dated October 1, 2005 (the "Continuing Disclosure Agreement") between Loma Linda University Medical Center and the Trustee. Capitalized terms used herein shall have the respective meanings ascribed to them in the Indenture, except as otherwise defined herein.

We have examined such documents and have reviewed such questions of law as we have considered necessary and appropriate for the purposes of this opinion. In such review, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with originals of all documents submitted to us as copies. Where questions of fact material to our opinions expressed below were not established independently, we have relied upon statements of officers of the Trustee as contained in their certificates.

Based upon the foregoing, we are of the opinion that:

1. The Trustee is a national banking associate duly organized, validly existing and in good standing under the laws of the United States of America with trust powers.

2. The Trustee has all requisite corporate power, authority and legal right to execute and deliver the indenture and the Continuing Disclosure Agreement and to perform its obligations thereunder, and has taken all necessary corporate action to authorize the execution and delivery thereof and the performance of its obligations thereunder.

3. The Trustee has duly authorized, executed and delivered the Indenture and the Continuing Disclosure Agreement. Assuming the due authorization, execution and delivery thereof by the other parties thereto, the Indenture and the Continuing Disclosure Agreement are the legal, valid and binding agreements of the Trustee, enforceable in accordance with their terms against the Trustee.

The opinions set forth above are subject to the following qualifications and exceptions:

(a) the opinions are subject to the effect of any applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws of general application affecting creditors' rights; and

(b) the opinions are subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law).

Our opinions expressed above are limited to the laws of the State of California and the federal laws of the United States of America.

The foregoing opinions are being furnished to you solely for your benefit and may not be relied upon by, nor may copies be delivered to, any other person without our prior written consent.

Very truly yours,

DORSEY & WHITNEY LLP

EXHIBIT H TO
BOND PURCHASE CONTRACT

PROPOSED FORM OF ERNST & YOUNG LLP
AGREED UPON PROCEDURES LETTER

This draft is furnished solely for the purpose of indicating the form of the letter that we would expect to be able to furnish Goldman, Sachs & Co. in response to their request, the matters expected to be covered in the letter, and the nature of the procedures which we would expect to carry out with respect to such matters. In the absence of any discussions with Goldman, Sachs & Co., we have set out in this draft letter those procedures that we are willing to follow. Unless Goldman, Sachs & Co. informs us otherwise, we shall assume there are no additional procedures they wish us to follow. The text of the letter itself will depend, of course, upon the results of the procedures, which we would not expect to complete until shortly before the letter is given and in no event before the cutoff date indicated therein. The restrictions expressed in the concluding paragraph apply to this draft.

[Date of Bond Purchase Contract]

Loma Linda University Medical Center
11175 Campus Street
Loma Linda, California 92354

and

Goldman, Sachs and Co.
85 Broad Street, 24th Floor
New York, New York 10004
As Representative of the Underwriters for
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center),
Series 2005A

Dear Sirs:

We have audited the combined balance sheets of Loma Linda University Medical Center (LLUMC) and Affiliates as of December 31, 2004 and 2003, and the related combined statements of operations, changes in net assets and cash flows for each of the two years in the period ended December 31, 2004, all included in the official statement. Our reports with respect thereto also are included in the official statement. This official statement, dated [cut-off date] [no more than 5 business days before date of letter], is herein referred to as the "Official Statement."

We are independent auditors with respect to LLUMC and Affiliates under Rule 101 of the AICPA's Code of Professional Conduct, and its interpretations and rulings.

We have not audited any financial statements of LLUMC and Affiliates as of any date or for any period subsequent to December 31, 2004. The purpose (and therefore the scope) of our audit for the year ended December 31, 2004 was to enable us to express our opinion on the combined financial statements as of December 31, 2004, and for the year then ended, but not on the financial statements for any interim period within that year. Therefore, we are unable to and do not express any opinion on the unaudited LLUMC balance sheet as of June 30, 2005, and the unaudited LLUMC statement of operations for the six-month periods ended June 30, 2005 and 2004, included in the Official Statement; or on the financial position, results of operations, or cash flows as of any other date or for any period subsequent to December 31, 2004.

1. At your request, we read the fiscal 2005 minutes of the meetings of the Board of Directors of LLUMC and of the Executive and Finance Committees of LLUMC as set forth in the minutes books through _____, 2005, officials of LLUMC having advised us that the minutes of all such meetings through that date were set forth therein, and have carried our other procedures to August 10, 2005 as follows (our work did not extend to the period from _____, 2005 to _____, 2005 inclusive):

   a. With respect to the six-month periods ended June 30, 2005 and 2004, we have:

      (1) Read the unaudited LLUMC balance sheet as of June 30, 2005 and unaudited LLUMC statements of operations for the six month periods ended June 30, 2005 and 2004, included in the Official Statement, and agreed the amounts contained therein with LLUMC's accounting records as of June 30, 2005 and 2004, and for the six-month periods then ended. The financial information for June is incomplete in that it omits the statements of changes in net assets and cash flows and other disclosures.

      (2) Inquired of certain officials of LLUMC who have responsibility for financial and accounting matters whether (i) the unaudited LLUMC financial statements referred to in a.(1) are in conformity with accounting principles generally accepted in the United States applied on a basis substantially consistent with that of the audited LLUMC and Affiliates combined financial statements included in the Official Statement, (ii) at June 30, 2005, there was any decrease in net assets or increase in long-term debt or net current liabilities of LLUMC as compared with amounts shown in the Other Financial Information appended to the December 31, 2004 audited combined financial statements included in the Official Statement, and (iii) for the period from January 1, 2005 to June 30, 2005, there were any decreases, as compared with the corresponding period in the preceding year, in LLUMC total revenue or excess of revenue over expenses.

      Those officials stated (i) the unaudited LLUMC financial statements referred to in a.(1) are in conformity with accounting principles generally

accepted in the United States applied on a basis substantially consistent with that of the audited LLUMC and Affiliates combined financial statements included in the Official Statement, (ii) at June 30, 2005, there was no decrease in net assets or increase in long-term debt or net current liabilities of LLUMC as compared with amounts shown in the Other Financial Information appended to the December 31, 2004 audited combined financial statements included in the Official Statement, and (iii) there were no decreases for the period from January 1, 2005 to June 30, 2005, as compared with the corresponding period in the preceding year, in LLUMC total revenue or excess of revenue over expenses.

Note: These paragraphs relate to if we review or read any unaudited statements subsequent to June 30, if available

b. With respect to the period from July 1, 2005 to [July 31] [must be most recently available financials], 2005, we have:

(1) Read the unaudited LLUMC financial statements for [July 2005] furnished to us by LLUMC (the financial information for [July] is incomplete in that it omits the statements of changes in net assets, cash flows, and other disclosures), and agreed the amounts contained therein to LLUMC's accounting records, officials of LLUMC having advised us that no such financial statements as of any date or for any period subsequent to [July 31], 2005 were available.

(2) Inquired of certain officials of LLUMC who have responsibility for financial and accounting matters whether

(i) the unaudited LLUMC financial statements referred to in b.(1) are stated on a basis substantially consistent with that of the audited combined financial statements of LLUMC and Affiliates included in the Official Statement,

(ii) at [July 31], 2005, there was any decrease in net assets or increase in long-term debt or net current liabilities of LLUMC as compared with amounts shown in the Other Financial Information appended to the December 31, 2004 audited combined financial statements included in the Official Statement, and (iii) for the period from July 1, 2005 to [July 31], 2005, there were any decreases, as compared with the corresponding period in the preceding year, in LLUMC total revenue or excess of revenue over expenses.

Those officials stated (i) the unaudited LLUMC financial statements referred to in b.(1) are stated on a basis substantially consistent with that of the audited combined financial statements of LLUMC and Affiliates included in the Official Statement, (ii) at [July 31], 2005, there was no decrease in net assets and no increase in long-term debt or net current liabilities as compared with amounts shown in the Other Financial Information appended to the December 31,

2004 audited combined financial statements included in the Official Statement, and (iii) there were no decreases for the period from July 1, 2005 to [July 31], 2005, as compared with the corresponding period in the preceding year, in LLUMC total revenue or excess of revenue over expenses.

c. As mentioned in 1.b. officials of LLUMC have advised us that no financial statements as of any date or for any period subsequent to [July 31], 2005, are available; accordingly, the procedures carried out by us with respect to changes in financial statement items after [July 31], 2005, have, of necessity, been even more limited than those with respect to the periods referred to in 1.a. and 1.b. We have inquired of certain officials of LLUMC who have responsibility for financial and accounting matters whether (i) at [cut-off date], 2005, there was any decrease in net assets or increase in long-term debt or net current liabilities of LLUMC as compared with amounts shown in the Other Financial Information appended to the December 31, 2004 audited combined financial statements included in the Official Statement, or (ii) for the period from _____, 2005 to [cut-off date], 2005, there were any decreases, as compared with the corresponding period in the preceding year, in LLUMC total revenues or excess of revenue over expenses.

Those officials referred to above stated that (i) at August 10, 2005, there was no decrease in net assets and no increase in long-term debt or net current liabilities of LLUMC as compared with amounts shown in the Other Financial Information appended to the December 31, 2004 audited combined financial statements included in the Official Statement, and (ii) for the period from August 1, 2005, to [cut-off date], there were no decreases, as compared with the corresponding period in the preceding year, in LLUMC total revenue or excess of revenue over expenses.

2. It should be understood that we have no responsibility for establishing (and did not establish) the scope and nature of the procedures enumerated in paragraph 1 above; rather, the procedures enumerated therein are those that the requesting party asked us to perform. Accordingly, we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated in the preceding paragraphs; also such procedures would not necessarily reveal any material misstatement of the information identified in the preceding paragraphs as set forth in the Official Statement. Further, we have addressed ourselves solely to the foregoing data and make no representations as to the adequacy of disclosures or whether any material facts have been omitted. This letter relates only to the financial statement items specified above and does not extend to any financial statement of LLUMC taken as a whole.

3. At your request, for purposes of this letter we have read the circled information as set forth in the attached pages from the Official Statement (Attachment B) and have performed the additional procedures stated on Attachment A to the information contained in Attachment B, which consists of____ pages.

4. The foregoing procedures do not constitute an audit conducted in accordance with generally accepted auditing standards. Had we performed additional procedures or had we conducted an audit or a review of LLUMC and Affiliates' combined or LLUMC's June 30 or [July 31], 2005 and 2004 unaudited financial statements in accordance with

standards established by the American Institute of Certified Public Accountants, other matters might have come to our attention that would have been reported to you.

5. These procedures should not be taken to supplant any additional inquiries or procedures that you would undertake in your consideration of the proposed offering.

6. This letter is solely for your information and to assist you in your inquiries in connection with the offering of the securities covered by the Official Statement, and it is not to be used, circulated, quoted, or otherwise referred to for any other purpose, including, but not limited to the registration, purchase, or sale of securities, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that reference may be made to it in any list of closing documents pertaining to the offering of securities covered by the Official Statement.

7. We have no responsibility to update this letter for events and circumstances occurring after [cut-off date], 2005.

Very truly yours,

/s/Ernst & Young LLP

Attachment A to the Letter Dated _____, 2005 to Loma Linda University Medical Center and Goldman, Sachs & Co.

Listed below are letters identifying certain procedures and findings relating to the numbers and dollar amounts identified on the following copies of pages (amounts and percentages have been rounded or truncated where appropriate by LLUMC):

A. Compared the dollar amounts either to the amounts in the audited combined financial statements described in the introductory paragraph of this letter or to amounts in the unaudited combined financial statements described in paragraph 1a.(1), to the extent such amounts are included in or can be derived from such statements and found them to be in agreement.

B. Compared the percentages not derived directly from audited or unaudited combined financial statements to amounts derived from LLUMC's accounting records to the extent such amounts could be so derived directly and found them to be in agreement.

Attachment B to the Letter Dated _____, 2005 to Loma Linda University Medical Center and Goldman, Sachs & Co.

Pages from LLUMC's Official Statement
Appendix A

OH&S
DRAFT
9/7/05

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2005

NEW ISSUE – BOOK ENTRY ONLY Ratings†

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein for certain tax consequences with respect to the Bonds.

$[PAR AMOUNT]*
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center)
Series 2005A

Dated: Date of Delivery Due: December 1, as shown on inside front cover

The Bonds are issuable in fully registered form only in denominations of $5,000 or any integral multiple thereof and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial owners of Bonds will not receive physical certificates representing the Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Bonds, principal of and premium, if any, and interest on the Bonds will be paid by U.S. Bank National Association, as Bond Trustee, to DTC, which, in turn, will remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. Interest on the Bonds is payable on June 1 and December 1 of each year, commencing December 1, 2005.

The Bonds are limited obligations of the City of Loma Linda, California (the "City"), secured under the provisions of the Bond Indenture and Loan Agreement, as described herein, and will be payable from Loan Repayments made by Loma Linda University Medical Center (the "Corporation") under the Loan Agreement and from certain funds held under the Bond Indenture. The obligation of the Corporation to make such payments is evidenced and secured by the issuance of Obligation No. 2 under the Master Indenture, described herein, whereunder the Corporation and any future Members of the Obligated Group (collectively, the "Obligated Group") jointly and severally are obligated to make payments on Obligation No. 2 in an amount sufficient to pay principal of and premium, if any, and interest on the Bonds when due. The Corporation will initially be the sole Obligated Group Member.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to their respective maturities, as described herein.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY PAYABLE FROM PAYMENTS REQUIRED TO BE MADE BY THE CORPORATION PURSUANT TO THE LOAN AGREEMENT AND OBLIGATION NO. 2 ISSUED PURSUANT TO THE MASTER INDENTURE. NEITHER THE STATE OF CALIFORNIA NOR THE CITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF THE BONDS, OR THE PREMIUM OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT, OBLIGATION NO. 2 AND THE BOND INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE PREMIUM OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE CITY, THE STATE OF CALIFORNIA OR ANY

* Preliminary, subject to change.

POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

This cover page contains certain information for quick reference only. It is not intended to be a summary of the security or terms of this bond issue. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND PRICES

(See Inside Front Cover)

The Bonds are offered when, as and if received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of certain legal matters by Stradling Yocca Carlson & Rauth, Bond Counsel, the approval of certain matters for the City by its counsel, Robbins & Holdaway, Inc., and the approval of certain matters for the Corporation by its special counsel, DLA Piper Rudnick Gray Cary. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about _____, 2005.

GOLDMAN, SACHS & CO. **KINSELL, NEWCOMB & DE DIOS, INC.**

Date: _____, 2005

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† For an explanation of the Ratings, see "RATINGS" herein.

$[PAR AMOUNT]*
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center)
Series 2005A

Year (December 1)	Principal Amount	Interest Rate	Yield	Price

$_____, ____% Term Bonds due December 1, 20__ @ ____%

$_____, ____% Term Bonds due December 1, 20__ @ ____%

$_____, ____% Term Bonds due December 1, 20__ @ ____%

* Preliminary, subject to change.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information relating to the City set forth herein under the captions "THE CITY" and "ABSENCE OF MATERIAL LITIGATION" (solely as it relates to the City) has been furnished by the City, and the information relating to DTC and the book-entry system set forth herein under the caption "THE BONDS—General" and in Appendix F hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters or the Corporation. All other information set forth herein has been obtained from the Corporation, DTC, and other sources (other than the City) that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the City or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the City, the Corporation or DTC since the date hereof. This Official Statement is submitted in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH OTHERWISE MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions "PLAN OF FINANCE" and "BONDHOLDERS' RISKS" in the forepart of this Official Statement and the statements contained under the caption "MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS" in APPENDIX A – "INFORMATION CONCERNING LOMA LINDA UNIVERSITY MEDICAL CENTER."

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT

$[PAR AMOUNT]*
City of Loma Linda, California
Hospital Revenue Bonds
(Loma Linda University Medical Center)
Series 2005A

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The descriptions and summaries of various documents in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. See APPENDIX C for summaries of certain provisions of the Master Indenture, the Bond Indenture and the Loan Agreement. Capitalized terms used in the forepart of this Official Statement and not defined herein are defined in APPENDIX C.

Purpose of this Official Statement

This Official Statement, including the cover page and the appendices hereto, describes the $[Par Amount} City of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center), Series 2005A (the "Bonds"). The Bonds will be issued pursuant to, and secured under, a Bond Indenture, dated as of October 1, 2005 (the "Bond Indenture"), between the City of Loma Linda, California (the "City") and U.S. Bank National Association, as bond trustee (the "Bond Trustee").

The Corporation

Loma Linda University Medical Center, a California nonprofit religious corporation (the "Corporation"), operates a healthcare delivery system serving the Southern California Counties of San Bernardino, Riverside, Inyo and Mono, an area approximating one quarter of the area of the State of California. The Corporation is part of an academic health sciences center affiliated with Loma Linda University (the "University"), which provides an integrated delivery system for healthcare as well as teaching and research. The Corporation is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

The Corporation operates a 789-licensed bed acute care teaching hospital (the "Medical Center") located in part on land leased from Loma Linda University Adventist Health Sciences Center, a California nonprofit religious corporation that serves as the sole corporate member of the Corporation ("LLUAHSC"). The Medical Center includes the Children's Hospital, a five story facility that opened in 1993 and includes 270 licensed beds, 72 of which are in one of the world's largest newborn intensive care units and the East Campus facility, located approximately 1 mile from the main hospital facility, which includes 118 licensed beds. See APPENDIX A – "INFORMATION CONCERNING LOMA LINDA UNIVERSITY MEDICAL CENTER."

The Corporation is one of many medical and educational institutions established by or associated with the Seventh-day Adventist Church and has an affiliation agreement with the University.

Purpose of the Bonds

The proceeds of the sale of the Bonds will be loaned by the City to the Corporation pursuant to a Loan Agreement relating to the Bonds, dated as of October 1, 2005 (the "Loan Agreement") between the City and the Corporation. The proceeds of the loan, together with other funds, will be used (i) to refinance a portion of revenue bonds, previously issued for the benefit of the Corporation, that are outstanding in the aggregate principal amount of $_____, (ii) to finance and refinance the costs of constructing, improving, renovating and equipping certain improvements to the facilities of the Corporation, (iii) to fund a Debt Service Reserve Account as described in the

* Preliminary, subject to change.

Bond Indenture and (iv) to pay certain expenses in connection with the issuance of the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Master Indenture

The Corporation and any future Obligated Group Member, referred to collectively in this Official Statement as the Obligated Group Members, will be parties to a Master Indenture of Trust, dated as of October 1, 2005 (the "Master Indenture"), with U.S. Bank National Association, as master trustee (the "Master Trustee"). The Corporation will initially be the sole Obligated Group Member. The obligations of the Corporation under the Loan Agreement will be secured by Obligation No. 2 ("Obligation No. 2"), issued by the Corporation, as Obligated Group Representative, pursuant to the Master Indenture and a Supplemental Master Indenture for Obligation No. 2, dated as of October 1, 2005, between the Corporation, as Obligated Group Representative, and the Master Trustee. Pursuant to Obligation No. 2, the Obligated Group Members agree to make payments in amounts sufficient to pay the principal of and redemption premium, if any, and interest on the Bonds when due.

Simultaneously with the issuance of Obligation No. 2, the Corporation, as Obligated Group Representative, will also issue its Obligation No. 1, pursuant to the Master Indenture and a Supplemental Master Indenture for Obligation No. 1, dated as of October 1, 2005 ("Supplement No. 1"), between the Corporation, as Obligated Group Representative, and the Master Trustee to secure the City of Loma Linda Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project) Series 1999-A (the "Series 1999 Bonds"). Obligation No. 1 will rank on a parity with Obligation No. 2.

The Obligations of the Corporation under the Master Indenture (including Obligation No. 2 and Obligation No. 1) are secured by a deed of trust on certain property of the Corporation. The Obligations of the Obligated Group Members are also secured by a pledge of the Gross Revenues of each Obligated Group Member. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture."

Amended and Restated Series 1999 Bond Documents

Simultaneously with the issuance of the Bonds, the Bond Indenture relating to the Series 1999 Bonds, dated September 1, 1999 between the City and U.S. Bank National Association, as bond trustee for the Series 1999 Bonds (the "1999 Bond Indenture") and the Project Agreement relating to the Series 1999 Bonds, dated as of September 1, 1999, between the City and the Corporation (the "1999 Project Agreement") will be amended and restated, dated as of October 1, 2005, and the obligations of the Corporation under the Series 1999 Bonds and 1999 Project Agreement will be secured by Obligation No. 1 to be issued under the Master Indenture. Obligation No. 1 will rank on parity with Obligation No. 2. The consent of Ambac Assurance Corporation, the bond insurer for the Series 1999 Bonds, will be obtained for the Master Indenture, Supplement No. 1, the Amended and Restated Project Agreement, the Amended and Restated Bond Indenture and the Deed of Trust (as defined herein).

Limited Obligations of the City

The Bonds constitute limited obligations of the City, payable solely from Revenues, which consist primarily of Loan Repayments made by the Corporation pursuant to the Loan Agreement and payments made by the Members pursuant to Obligation No. 2.

The Bonds are limited obligations of the City payable from payments required to be made by the Corporation pursuant to the Loan Agreement and Obligation No. 2 issued pursuant to the Master Indenture. Neither the State of California nor the City shall be obligated to pay the principal of the Bonds, or the premium or interest thereon, except from the funds provided under the Loan Agreement, Obligation No. 2 and the Bond Indenture, and neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof, is pledged to the payment of the principal of or the premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment.

Bondholders' Risks

Certain risks are inherent in the purchase of the Bonds. See the information herein under the caption "BONDHOLDERS' RISKS" for a discussion of certain of these risks.

Book-Entry Only

The Bonds, when issued, will be payable solely in book-entry form through The Depository Trust Company. See APPENDIX F – "INFORMATION REGARDING BOOK-ENTRY ONLY SYSTEM."

Continuing Disclosure

The Corporation has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide to the Bond Trustee, as dissemination agent, (i) certain financial and operating data for the Corporation's fiscal years, (ii) certain unaudited financial information for the Corporation's fiscal quarters of each year and (iii) notices of the occurrence of certain enumerated events. See the information under the caption "CONTINUING DISCLOSURE."

THE CITY

The City of Loma Linda, California (the "City") is a municipal corporation and a chartered city organized and existing under the Constitution and laws of the State of California, which was incorporated on September 29, 1970. The City operates under a charter providing for a Council-Manager form of government with a Council-member City Council. The City Council is comprised of five members, elected at large by residents to four year terms. Subsequent to the election the Mayor and Mayor pro tempore are selected by the City Council members. The Loma Linda Municipal Code, specifically Title 3, Chapter 3.20 (the "Law"), establishes a method and powers and procedures whereby revenue bonds may be issued by the City for the purpose of providing financing to participating health institutions for specified purposes.

The City is situated in the southwestern part of San Bernardino County and is located approximately 55 miles east of Los Angeles between the cities of San Bernardino and Riverside.

THE BONDS

General

The Bonds are being issued pursuant to a Bond Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Bonds will be delivered in fully registered form without coupons. The Bonds will be dated as of their date of delivery, bear interest at the rates and will be payable as to principal, subject to the redemption provisions set forth herein, on the dates and in the amounts set forth on the inside front cover page hereof. The Bonds will be transferable and exchangeable as set forth in the Bond Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, or DTC. DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. See "THE BONDS – Book-Entry System."

The Bonds will bear interest at the rates set forth on the inside front cover page hereof, payable by check mailed on each June 1 and December 1, commencing December 1, 2005 (each an "Interest Payment Date") to the Person whose name appears on the bond registration books of the Bond Trustee as the Holder thereof as of the close of business on the Record Date (the fifteenth day of the month immediately preceding an Interest Payment Date, whether or not a Business Day) for each Interest Payment Date (except with respect to interest in default, for which a Special Record Date shall be established) or, at the written request of any Holder of at least one million dollars ($1,000,000) in aggregate principal amount of the Bonds received by the Bond Trustee at least one Business Day prior to the applicable Record Date, by wire transfer to an account within the United States of America. Payment of the principal or redemption price of the Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Bond Trustee. So long as Cede & Co. is the registered owner of the Bonds,

principal of and premium, if any, and interest on the Bonds are payable by wire transfer by the Bond Trustee to Cede & Co., as nominee for DTC, which, in turn, will remit such amounts to DTC Participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F – "INFORMATION REGARDING BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after December 1, 20__ are subject to redemption prior to their respective stated maturities at the option of the City (which option shall be exercised upon request of the Corporation), from any source of available funds, in whole or in part on any date on or after December 1, 20__ (in such maturities as are designated by the Corporation or, if the Corporation fails to designate such maturities, in inverse order of maturity, and by lot within a maturity), at the following Redemption Prices (expressed as a percentage of the principal amount of such Bonds called for redemption), together with interest accrued thereon to the date fixed for redemption:

Redemption Period (both dates inclusive)	Redemption Price
December 1, 20__ through November 30, 20__	___%
December 1, 20__ through November 30, 20__	___%
December 1, 20__ and thereafter	___%

Mandatory Redemption. The Bonds maturing on December 1, 20__, December 1, 20__, December 1, 20__ and December 1, 20__, are subject to redemption prior to their respective stated maturity, in part, by lot, from Mandatory Sinking Account Payments on the dates set forth below, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, in the amounts indicated below.

Bonds Maturing on December 1, 20__

Mandatory Sinking Account Payment Dates (December 1)	Mandatory Sinking Account Payments
*	

* Maturity

Bonds Maturing on December 1, 20__

Mandatory Sinking Account Payment Dates (December 1)	Mandatory Sinking Account Payments
*	

* Maturity

Bonds Maturing on December 1, 20__

Mandatory Sinking Account Payment Dates (December 1)	Mandatory Sinking Account Payments
*	

* Maturity

Bonds Maturing on December 1, 20__

Mandatory Sinking Account Payment Dates (December 1)	Mandatory Sinking Account Payments
*	

* Maturity

Extraordinary Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon request of the Corporation), as a whole or in part on any date (in such amounts and maturities as may be specified by the Corporation or, if the Corporation fail to designate the maturities, in inverse order of maturity, and by lot among Bonds within a maturity), from certain hazard insurance or condemnation proceeds received with respect to the facilities of any of the Members, at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Notice of Redemption; Effect of Redemption. Notice of redemption will be mailed by first-class mail by the Bond Trustee, not less than 30 days and not more than 60 days prior to the redemption date, to the Holders of any Bonds designated for redemption at their addresses appearing on the registration books of the Bond Trustee, the Securities Depository and certain information services.

Any notice of redemption under the applicable Bond Indenture may be rescinded by written notice given by the Corporation to the Bond Trustee no later than five Business Days prior to the date specified for redemption. The Bond Trustee will give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the initial notice of redemption was given in accordance with the Bond Indenture.

The failure by the Bond Trustee to give notice of redemption to any one or more of the Securities Depositories or information services, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure by the Bond Trustee to mail notice of redemption (or failure by any such Holder or Holders to receive the notice) to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for the redemption of the Bonds with respect to the Holder or Holders to whom such notice was mailed. The Bonds so called for redemption shall become due and payable at the redemption price (together with interest accrued thereon, if any) specified in such notice; interest on such Bonds shall cease to accrue from and after the redemption date; said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the applicable Bond Indenture; and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment. Neither the City nor the Bond Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto.

Book-Entry System

The Bonds will be issued in book-entry form. DTC will act as the initial Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds in the total aggregate principal amount due on such maturity and will be deposited with or upon the direction of DTC. See APPENDIX F – "INFORMATION REGARDING BOOK-ENTRY ONLY SYSTEM."

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending December 31, the amounts required to be made available for the payment of principal and interest due on the Bonds at maturity (including Mandatory Sinking Account Payments). The table also includes debt service for each year ending December 31 on the Series 1999 Bonds evidenced or secured by Obligation No. 1 to be outstanding subsequent to the issuance of the Bonds. The table does not include debt service on any other long-term indebtedness of the Obligated Group that is not evidenced or secured by Obligations. The aggregate principal amount of such other indebtedness approximated $___ million as of December 31, 2004.

Year Ending December 31,	Series 2005A Bonds Principal	Series 2005A Bonds Interest	Series 2005A Bonds Total Debt Service	Series 1999 Bonds	Total Debt Service
2005					
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014					
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
Total					

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bond Indenture

The Bonds are limited obligations of the City, payable solely from Revenues which consist primarily of Loan Repayments made by the Corporation pursuant to the Loan Agreement and payments made by the Members pursuant to Obligation No. 2. In the Loan Agreement, the Corporation agrees to make Loan Repayments to the Bond Trustee, which payments, in the aggregate, are required to be in amounts sufficient for the payment in full of all amounts payable with respect to the Bonds, including the total interest payable on the Bonds to their respective stated maturities, the principal amount of such Bonds, and any redemption premiums. The Corporation is also required to pay other fees and expenses (consisting generally of reasonable fees and charges of the Bond Trustee, accountants' fees and reasonable fees and expenses of the City associated with the issuance of the Bonds).

Under the Bond Indenture, the City has assigned to the Bond Trustee for the benefit of the Holders of the Bonds (a) all of the right, title and interest of the City in the Loan Agreement (except for the right to receive any Administrative Fees or Expenses to the extent payable to the City and any rights of indemnification) and Obligation No. 2, and (b) all of the Revenues (as defined in the Bond Indenture) and any other amounts held in any fund or account established pursuant to the Bond Indenture, other than the Rebate Fund.

A Debt Service Reserve Account will be established under the Bond Indenture. See the information herein under the caption "ESTIMATED SOURCES AND USES OF FUNDS" and APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Bond Indenture – Application of Debt Service Reserve Account."

The Master Indenture

General. Under the Master Indenture, any Member of the Obligated Group may be authorized pursuant to a related Supplemental Master Indenture to issue, for itself and on behalf of any other Obligated Group Members, Obligations to evidence or secure indebtedness. All Members are jointly and severally liable with respect to the payment of each Obligation issued under the Master Indenture. The Corporation will initially be the sole Obligated Group Member.

Obligation No. 2 will be issued by the Corporation under and pursuant to the Master Indenture, as supplemented. All Obligated Group Members are required to make payments on Obligation No. 2 in an amount sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds secured by Obligation No. 2 when due. Simultaneously with the issuance of the Bonds, the Corporation will also issue its Obligation No. 1 to secure the Series 1999 Bonds. Obligation No. 1 will rank on a parity with Obligation No. 2.

Subject to the conditions set forth in the Master Indenture, additional Obligated Group Members may be added from time to time and made jointly and severally liable with the existing Obligated Group Members with respect to Obligations issued under the Master Indenture. Additionally, Obligated Group Members may withdraw from the Obligated Group from time to time and be released from all liability with respect to Obligations, including Obligation No. 2. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture – Membership in the Obligated Group" and "—Withdrawal from the Obligated Group."

Limitations on Additional Indebtedness. In the Master Indenture, each Obligated Group Member agrees that it will not incur any Additional Indebtedness unless certain conditions provided in the Master Indenture are satisfied. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture – Limitations on Additional Indebtedness."

Deed of Trust; Property, Plant and Equipment. The Corporation will execute a fully amended and restated deed of trust and security agreement, dated October 1, 2005 (the "Deed of Trust") pursuant to which the Corporation will grant to the trustee thereunder, as trustee for the benefit of the Master Trustee, a first lien on and security interest in the leasehold estate created under the ground lease between the Corporation and the University and in certain additional real property of the Corporation, consisting of the East Campus facility, the Outpatient Rehabilitation Center, and the Faculty Medical Office Building, as security for the performance of the Obligated Group Members' obligations under the Master Indenture, including Obligation No. 2. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Deed of Trust."

In the Master Indenture, each Obligated Group Member grants to the Master Trustee, for the benefit of holder of Obligations, a security interest in the Property, Plant and Equipment (as defined in the Master Indenture) of each Obligated Group Member. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture - Deeds of Trust; Against Encumbrances."

In the Master Indenture, each Obligated Group Member agrees that it will not create, assume or suffer to exist any Lien upon the Property of the Obligated Group, and each Obligated Group Member, respectively, further covenants and agrees that if such a Lien is created or assumed by any Obligated Group Member, it will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or

other obligation secured by such Lien; provided, however each Obligated Group Member may create, assume or suffer to exist Permitted Liens.

The Master Indenture provides that, upon written request of the Obligated Group Representative, the Master Trustee shall execute and deliver releases, subordinations, requests for reconveyance or other instruments as may be reasonably requested by the Obligated Group Representative in connection with (1) the disposition of Property, Plant and Equipment in accordance with the provisions of the Master Indenture, (2) the withdrawal of an Obligated Group Member pursuant to the Master Indenture or (3) the granting by an Obligated Group Member of any Lien which constitutes a Permitted Lien. See "APPENDIX C – SUMMARY OF PRINCIPAL DOCUMENTS – Master Indenture."

Grant of Security Interest in Gross Revenues. In the Master Indenture, each Obligated Group Member agrees that, so long as any of the Obligations remain Outstanding, all of the Gross Revenues of the Obligated Group shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the Obligated Group Members shall establish and maintain in one or more accounts at such banking institution or institutions as the Obligated Group Members shall from time to time designate in writing to the Master Trustee for such purpose (referred to in this Official Statement as the Depository Bank(s)). Subject only to the provisions of the Master Indenture permitting the application of the Gross Revenues for the purposes and on the terms and conditions set forth therein, each Obligated Group Member agrees to pledge, and to the extent permitted by law grants a security interest to the Master Trustee in, the Gross Revenue Fund and all of the Gross Revenues of the Obligated Group to secure the payment of Required Payments and the performance by the Obligated Group Members of their other obligations under the Master Indenture. Each Obligated Group Member agrees to execute and file Uniform Commercial Code financing statements, to execute and cause to be sent to each Depository Bank and to the Master Trustee a notice of the security interest granted under the Master Indenture and to execute and deliver such other documents (including, but not limited to, control agreements and continuation statements) as may be necessary in order to perfect or maintain as perfected the security interest or give public notice thereof.

Amounts in the Gross Revenue Fund may be used and withdrawn by any Obligated Group Member at any time for any lawful purpose, except as provided in this paragraph. In the event that any Obligated Group Member is delinquent for more than one business day in the payment of any Required Payment with respect to any Obligation, the Master Trustee, upon notice from the Obligated Group Representative or actual knowledge of such delinquency, shall notify the Obligated Group Representative and the Depository Bank(s) of such delinquency, and, unless such Required Payment is paid, or provision for payment is duly made, in a manner satisfactory to the Master Trustee, within five days after receipt of such notice, the Obligated Group Representative or the appropriate Obligated Group Member shall cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Master Trustee. The Gross Revenue Fund shall continue to be held in the name and to the credit of the Master Trustee until six months after the amounts on deposit in said fund are sufficient to pay in full, or have been used to pay in full, all Required Payments in default and all other Events of Default known to the Master Trustee shall have been made good or cured to the satisfaction of the Master Trustee or provision deemed by the Master Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund (except for the Gross Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the appropriate Obligated Group Members. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee shall use and withdraw amounts in said Gross Revenue Fund from time to time (1) first, to make Required Payments as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments ratably without any discrimination or preference, and (2) second, to such other payments to cure, or make reasonable provision to cure, such other Events of Default known to the Master Trustee. During any period that the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Members shall not be entitled to use or withdraw any of the Gross Revenues of the Obligated Group unless and to the extent that the Master Trustee at its sole discretion so directs for the payment of current or past due operating expenses of the Obligated Group Members. At such time as all Required Payments then due are paid in full and the Gross Revenue Fund is held in the name and to the credit of the Master Trustee, the Master Trustee shall honor each Obligated Group Member's request for payment of operating expenses in the following order: first, to current payroll and associated payroll expenses and taxes; second, to past due payroll and associated payroll expenses; third, to the payment of current other operating expenses; and fourth, to the payment of past due other operating expenses.

In any event, the Obligated Group Members shall be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Gross Revenues of the Obligated Group.

The security interest in Gross Revenues described above has been perfected to the extent, and only to the extent, that such security interest may be perfected by control of the collateral under the Uniform Commercial Code of the State of California. The grant of a security interest in Gross Revenues may be subordinated to the interest and claims of others in several instances. Some examples of cases of subordination of prior interests and claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or grant of a security interest in Gross Revenues. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types and material amounts of Gross Revenues (e.g., gifts, donations, certain insurance proceeds, Medicare and Medi-Cal payments) prior to actual receipt by any Member for deposit in the Gross Revenue Fund.

Security and Enforceability

Bankruptcy. In the event an Obligated Group Member files for protection from creditors under the United States Bankruptcy Code, the rights and remedies of the Owners of the Bonds would be subject to various provisions of the United States Bankruptcy Code. If an Obligated Group Member were to commence a proceeding in bankruptcy, payments made by that Obligated Group Member during the 90-day period immediately preceding such commencement (or, under certain circumstances, during the preceding one-year period) may be voided as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the liquidation of such Obligated Group Member. Security interests and other liens granted by such Obligated Group Member to the Bond Trustee or the Master Trustee and perfected during such preference period may also be voided as preferential transfers to the extent such security interest or other lien secures obligations that arose prior to the date of such grant or perfection.

A bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Obligated Group Member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee and the Master Trustee. If the bankruptcy court so ordered, the property of such Obligated Group Member, including its accounts receivable and the proceeds thereof, could be used for the financial rehabilitation of such Obligated Group Member despite any security interest of the Bond Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

Such Obligated Group Member could also file a plan for the adjustment of its debts in any such proceeding which could include provisions modifying or altering the rights of creditors generally, or any class of them, secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly. Any such plan could adversely affect the Owners and Beneficial Owners of the Bonds.

In the event of bankruptcy of an Obligated Group Member, there is no assurance that certain covenants, including tax covenants, contained in the Bond Indenture, the Loan Agreement or the Master Indenture and certain other documents would survive. Accordingly, such Obligated Group Member, as debtor in possession, or a bankruptcy trustee could take action which might adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

In addition, the bankruptcy of a health plan or physician group that is a party to a significant managed care arrangement with one or more Obligated Group Members, or that of any significant contract payor obligated to any one or more Obligated Group Members, could have material adverse effects on the Obligated Group.

Enforceability of the Master Indenture, the Loan Agreement and Obligation No. 2. The legal right and practical ability of the Bond Trustee to enforce rights and remedies under the Loan Agreement and of the Master Trustee to enforce its rights and remedies under the Master Indenture and Obligation No. 2 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. The state of insolvency, fraudulent conveyance and bankruptcy laws relating to the enforceability of guaranties or obligations issued by one corporation in favor of another corporation's creditors or of an Obligated Group Member's obligation to make debt service payments on behalf of another Obligated Group Member is unsettled. In particular, such obligations may be voidable under the Federal Bankruptcy Code or applicable state fraudulent conveyance laws if the obligation is incurred without "fair" and/or "fairly equivalent" consideration to the obligor and the incurrence of the obligation renders the Obligated Group Member insolvent. The standards for determining the fairness of consideration and the manner of determining insolvency are not clear and may vary under the Federal Bankruptcy Code, state fraudulent conveyance statutes and applicable cases. Consequently, the Bond Trustee's and the Master Trustee's ability to enforce the rights and remedies under the Loan Agreement, the Master Indenture and Obligation No. 2 against any Obligated Group Member that would be rendered insolvent thereby could be subject to challenge. In addition, enforcement of such rights and remedies will depend upon the exercise of various remedies specified by such documents, which, in many instances, may require judicial actions that are subject to discretion and delay, that otherwise may not be readily available or that may be limited by certain legal principles, including fraudulent conveyance or moratorium and other similar laws.

Special counsel to the Corporation will render an opinion concurrently with the delivery of the Bonds to the effect that the Master Indenture and Obligation No. 2 is enforceable against the Corporation in accordance with their terms. However, such opinion will be qualified as to the enforceability of the obligations of the Corporation to make payments of debt service under the Loan Agreement and on Obligation No. 2. In such opinion of such special counsel, such obligation may not be enforceable against an Obligated Group Member under any of the following circumstances:

- To the extent payments on Obligation No. 2 are requested to be made from assets of such Obligated Group Member which are donor-restricted or which are subject to a direct, express or charitable trust which does not permit the use of such assets for such payments.

- To the extent payments on Obligation No. 2 would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by such Obligated Group Member.

Special counsel to the Corporation will opine with respect to the Bonds that Obligation No. 2 was issued (i) for a purpose which is consistent with the charitable purposes of the Corporation, and (ii) for the benefit of a nonprofit corporation which is exempt from federal income taxes under Sections 501(a) and 501(c)(3) of the Internal Revenue Code and which is not a "private foundation" as defined in Section 509(a) of the Internal Revenue Code.

These limitations on the enforceability of the joint and several obligation of the Obligated Group Members on Obligation No. 2 also apply to their obligations on all Obligations. If the obligation of a particular Obligated Group Member to make payment on an Obligation is not enforceable, and payment is not made on such Obligation when due in full, then Events of Default will arise under the Master Indenture.

An Obligated Group Member may not be required to make payments on or provide amounts for the payment of an Obligation, including Obligation No. 2, issued by or for the benefit of another entity if and to the extent that any such payment or transfer would render such Obligated Group Member insolvent or would conflict with or not be permitted by or would be subject to recovery for the benefit of other creditors of such Member under applicable fraudulent conveyance, bankruptcy, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights. There is no clear precedent in the law as to whether payments on Obligations (including Obligation No. 2) by an Obligated Group Member may be voided by a trustee in bankruptcy in the event

such Member filed for bankruptcy protection and a trustee was appointed, or by third party creditors in an action brought pursuant to state fraudulent conveyances statutes. Under the United States Bankruptcy Code, a trustee in bankruptcy and, under state fraudulent conveyance statutes, a creditor of a related guarantor, may avoid any obligation incurred by a related guarantor if, among other bases therefor, (1) the guarantor has not received fair consideration or reasonably equivalent value in exchange for the guaranty and (2) the guaranty renders the guarantor insolvent, as defined in the United States Bankruptcy Code or state fraudulent conveyances statutes, or the guarantor is undercapitalized. Under such principles, the obligor on an Obligation (including Obligation No. 2) that secures related bonds (including the Bonds) not issued for the direct benefit of such obligor may be considered a guarantor.

Application by courts of the tests of "insolvency," "reasonably equivalent value" and "fair consideration" has resulted in a conflicting body of case law. If a judicial action were brought to compel an Obligated Group Member to make a payment on an Obligation (including Obligation No. 2), a court might not enforce such payment in the event it is determined that sufficient consideration for the Obligated Group Member's obligation was not received, or that the incurrence of such obligation has rendered or will render the Obligated Group Member insolvent, or the Obligated Group Member is or will thereby become undercapitalized.

In addition, state courts have common law authority and authority under state statutes to terminate the existence of a not-for-profit or nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the not-for-profit or nonprofit corporation has insufficient assets to carry out its stated charitable purposes or has taken some action which renders it unable to carry out such purposes. Such action may arise on the court's own motion or pursuant to a petition of the state attorney general or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Limited Liability of the City

The Bonds are limited obligations of the City payable from payments required to be made by the Corporation pursuant to the Loan Agreement and Obligation No. 2 issued pursuant to the Master Indenture. Neither the State of California nor the City shall be obligated to pay the principal of the Bonds, or the premium or interest thereon, except from the funds provided under the Loan Agreement, Obligation No. 2 and the Bond Indenture, and neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof, is pledged to the payment of the principal of or the premium or interest on the Bonds. The issuance of the Bonds shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment.

PLAN OF FINANCE

General

The Bonds are being issued for the purpose of providing funds (i) to refinance a portion of revenue bonds previously issued for the benefit of the Corporation, (ii) to finance and refinance the costs of capital expenditures of the Corporation, (iii) to fund a Debt Service Reserve Account as described in the Bond Indenture and (iv) to pay certain expenses in connection with the issuance of the Bonds.

Refundings

A portion of the proceeds of the Bonds, together with amounts transferred from the funds and accounts held for the Prior Bonds, by the trustees for the Prior Bonds, will be used to purchase direct obligations of the United States of America (the "Escrow Securities") which will be deposited in separate escrow accounts established under separate escrow deposit agreements and irrevocably pledged to the payment of the principal of an premium and interest on the respective Prior Bonds (defined below). The Prior Bonds to be refunded in full with a portion of the proceeds of the Bonds consist of $_____ aggregate principal amount of the City's Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1992-A (the "Series 1992A Bonds"); $_____ aggregate principal amount of the City's Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 1993-A (the "Series 1993A Bonds"); $_____ aggregate principal amount of the City's

Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-B (the "Series 1993B Bonds"); and $_____ aggregate principal amount of the City's Hospital Revenue Refunding Bonds (Loma Linda University Medical Center Project), Series 1993-C (the "Series 1993C Bonds," and together with the Series 1992A Bonds, the Series 1993A Bonds and the Series 1993B Bonds, referred to in this Official Statement as the "Prior Bonds"). The Prior Bonds will be redeemed on December 1, 2005 at a redemption price of 100% of their principal amount. Neither the maturing principal of the Escrow Securities nor the interest income thereon will be available to make payments on the Bonds.

Additionally, on or before the date of the issuance of the Bonds the Corporation will prepay the City of Redlands Refunding Certificates of Participation (Loma Linda University Medical Center Project), Series 1993-D (the "Series 1993-D Certificates") with cash from operations. None of the proceeds from the Bonds will be used for the prepayment of the Series 1993-D Certificates.

The Project

A portion of the proceeds of the Bonds, together with other funds, will be used to finance and refinance the costs of constructing, improving, renovating and equipping certain improvements to the facilities of the Corporation, including reimbursing the Corporation for costs already incurred for such purposes. See APPENDIX A – "INFORMATION CONCERNING LOMA LINDA UNIVERSITY MEDICAL CENTER – CURRENT PROJECTS."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Bonds. The proceeds to be received from the sale of the Bonds and other available funds will be applied as set forth in the following table.

Sources	
Par amount	$[Par Amount]
Plus (net) original issue premium	
[Plus funds from accounts of Prior Bonds]	
Total Sources	$
Uses	
Project costs	$
Refunding of Prior Bonds	
Debt Service Reserve Account	
Issuance Costs*	
Total Uses	$

* Includes Underwriters' discount and certain fees and expenses of various legal counsel, Bond Trustee, Master Trustee and rating agencies, and the cost of printing.

CONTINUING DISCLOSURE

Because the Bonds are limited obligations of the City, payable solely from amounts received from the Corporation and any other Obligated Group Members, financial or operating data concerning the City is not material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds. Accordingly, the City is not providing any such information. The Corporation, on behalf of the Members, has undertaken all responsibilities for any continuing disclosure to Holders of the Bonds, as described below, and the City shall have no liability to the Holders of the Bonds or any other Person with respect to Rule 15c2-12, referred to in this Official Statement as the Rule, promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission.

The Corporation has covenanted for the benefit of Holders and Beneficial Owners of the Bonds to provide to the Bond Trustee, as dissemination agent, for dissemination (i) certain financial information and operating data relating to the Corporation by not later than [180 days] following the end of the Corporation's fiscal year (which currently is December 31) (referred to as the Annual Report), commencing with the report for the December 31, 2005 fiscal year, (ii) within [60] days after the end of each fiscal quarter of each year, commencing with the fiscal quarter ending [September 30, 2005], certain unaudited financial information relating to the Corporation, and (iii) notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the dissemination agent on behalf of the Corporation with each Nationally Recognized Municipal Securities Information Repository and with a repository designated by the State of California as the state depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission (referred to as the State Repository). As of the date of this Official Statement, there is no State Repository. The notices of material events will be filed by the dissemination agent on behalf of the Corporation with each Nationally Recognized Municipal Securities Information Repository and with the State Repository, if any. See APPENDIX D – "PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with the Rule.

Upon the issuance of the Series 1999 Bonds, the Corporation agreed to cause to be filed certain annual financial information within 180 days of the end of its fiscal year, commencing in 2000 for the fiscal year ended December 31, 1999. The Corporation has caused to be filed its audited financial statements for its fiscal years 1999, 2000, 2001 and 2003, but has failed to file the operating data and financial information required to be included in the annual financial information to be filed annually for those fiscal years. The Corporation has also failed to file its audited financial statements for its fiscal year ended 2002 and the operating and financial information required to be included in the annual financial information to be filed for that fiscal year. The Corporation caused to be filed the required financial and operating data for each of those years and the audited financial statements for its fiscal year ended 2002 on September 7, 2005. The Corporation also has caused to be filed notice regarding its failure to provide the audited financial statements and certain annual financial information as required. Other than the late filings referenced in this paragraph, the Corporation has complied with all of its prior undertakings.

BONDHOLDERS' RISKS

The purchase of the Bonds involves investment risks that are discussed throughout this Official Statement. Prospective purchasers of the Bonds should evaluate all of the information presented in this Official Statement. This section on Bondholders' Risks focuses primarily on the general risks associated with hospital or health system operations; whereas APPENDIX A describes the Corporation specifically. These should be read together.

General

Except as noted under "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," the Bonds are payable solely from and secured by Loan Repayments made pursuant to the Loan Agreement and payments made pursuant to Obligation No. 2. No representation or assurance can be made that revenues will be realized by the Corporation or any future Obligated Group Members in amounts sufficient to make the payments under the Loan Agreement or Obligation No. 2 and, thus, to pay principal of, redemption premium and interest on the Bonds.

The Corporation is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medi-Cal and other payors and is subject to actions by, among others, the National Labor Relations Board, the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO, the Centers for Medicare and Medicaid Services, or CMS, of the U.S. Department of Health and Human Services, or DHHS, and other federal, state and local government agencies. The future financial condition of the Corporation could be adversely affected by, among other things, changes in the method and amount of payments to the Corporation by nongovernmental payors, the financial viability of these payors, increased competition from other health care entities, demand for health care, other forms of care or treatment, changes in the methods by which employers purchase health care for employees, capability of management, future changes in the economy, demographic changes, availability of physicians and nurses, and malpractice claims and other litigation. These factors and others may adversely affect payment by the Corporation under the Loan Agreement and Obligation No. 2 and, consequently, on the Bonds.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the Corporation are briefly summarized in general terms below, and are explained in greater detail in subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial conditions and results of operations of the Corporation, and in turn, the ability of the Corporation to make payments under the Loan Agreement and Obligation No. 2.

Nonprofit Healthcare Environment. Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation, and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Corporation.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program. Future changes in the underlying law and regulations, as well as in payment policy and timing create uncertainty and could have a material adverse impact on hospitals' payment stream from Medicare. With health care and hospital spending reported to be increasing faster than the rate of general inflation, Congress and/or CMS may take action in the future to decrease or restrain Medicare outlays for hospitals.

Rate Pressure from Insurers and Major Purchasers. Certain hospital markets, including many communities in California, are strongly impacted by large health insurers and, inc some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over hospital rates, utilization and competition. Rate pressure imposed by health insurers or other major purchasers may have a material adverse impact on hospitals, particularly if major purchasers put increasing pressure on payors to restrain rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals in the form of payment shortfalls or delays, and/or continuing obligations to care for managed care patients without receiving payment.

Medi-Cal Program. While the Medi-Cal program is rarely as important to hospital financial results as Medicare, it nevertheless constitutes an important payor source to many hospitals, including the Corporation. This program often pays hospitals at levels that may be below the actual cost of the care provided. As Medi-Cal is partially funded by the State of California, the significantly deteriorated financial condition of the State of California is likely to result in lower funding levels and/or payment delays. This could have a material adverse impact on hospitals.

Capital Needs vs. Capital Capacity. Hospital operations are capital intensive. Regulation, technology and physician/patient expectations require constant and often significant capital investment. In California, seismic

requirements mandated by the State of California may require that many hospital facilities be substantially modified, replaced or closed. Nearly all hospitals in California are affected. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may outstrip capital capacity.

Government "Fraud" Enforcement. "Fraud" in government funded health care programs is a significant concern of DHHS, CMS and many states, and is one of the federal government's prime law enforcement priorities. The federal government, and to a lesser degree, state governments, impose a wide variety of complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of "fraud" in the Medicare and Medi-Cal programs, as well as other state and federally-funded health care programs. This body of regulation impacts a broad spectrum of hospital commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. The government periodically conducts widespread investigations covering categories of services, or certain accounting or billing practices.

Violations carry significant sanctions. The government and/or private "whistleblowers" often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal and monetary penalties, including withholding essential hospital payments from the Medicare or Medi-Cal programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force settlements, payment of fines and prospective restrictions that may have a materially adverse impact on hospital operations, financial condition, results of operation and reputation. Multi-million dollar fines and settlements are common. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital sector.

Nursing and Other Shortages. Currently, a nursing shortage exists which may have its primary impact on hospitals. Various studies have predicted that this nursing shortage will become more acute over time and grow to significant proportions. In California, new state regulation of nurse staff ratios will likely intensify the nursing shortage. In addition, shortages of other professional and technical staff such as pharmacists, therapists, laboratory technicians and others may worsen or occur. Hospital operations, patient and physician satisfaction, financial condition, results of operations and future growth could be negatively affected by these shortages, resulting in material adverse impact to hospitals.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and hospital care. These could result in higher hospital costs, reductions in patient populations and/or new sources of competition for hospitals.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operations is regulated, in some cases by multiple agencies of government. The level and complexity of regulation appears to be increasing, bringing with it operational limitations, enforcement and liability risks, and significant and sometimes unanticipated cost impacts.

Proliferation of Competition. Hospitals increasingly face competition from specialty providers of care. This may cause hospitals to lose essential inpatient or outpatient market share. Competition may be focused on services or payor classifications where hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may attract specialists as investors and may seek to treat only profitable classifications of patients, leaving full service hospitals with higher acuity and/or lower paying patient populations. These new sources of competition may have a material adverse impact on hospitals, particularly where a group of a hospital's principal physician admitters may curtail their use of a hospital service in favor of competing facilities. On September 6, 2005, the City approved the construction of a specialty hospital to be

located in the City of Loma Linda. See "APPENDIX A – SERVICE AREA AND COMPETITION" and "- MANAGEMENT DISCUSSION OF FINANCIAL OPERATIONS."

Labor Costs and Disruption. Hospitals are labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impact on hospital operations and financial condition. Hospital employees are increasingly organized in collective bargaining units, and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce are high and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. Workforce disruption may negatively impact hospital revenues and reputation.

General Economic Conditions; Bad Debt and Indigent Care. Hospitals are economically influenced by the environment in which they are located. To the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is applied to local hospitals to increase free care. Economic downturns and lower funding of the Medi-Cal program may increase the number of patients treated by hospitals who are uninsured or otherwise unable to pay for some or all of their care. These conditions may give rise to increased bad debt and higher indigent care utilization. At the same time, nonoperating revenue from investments may be reduced or eliminated. These factors may have material adverse impact on hospitals.

Pension and Benefit Funds. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits. Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities, may increase in the future. Hospitals may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically.

Facility Damage. Hospitals are highly dependent on the condition and functionality of their physical facilities. Damage from earthquake, other natural causes, fire, deliberate acts of destruction, or various facilities system failures may have material adverse impact on hospital operations, financial conditions and results of operation.

Nonprofit Healthcare Environment

The Corporation is a nonprofit corporation, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. As a nonprofit tax-exempt organization, the Corporation is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including its operation for religious and charitable purposes. At the same time, the Corporation conducts large-scale complex business transactions and is one of the major employers in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex healthcare organization.

Recently, an increasing number of the operations or practices of healthcare providers have been challenged or questioned to determine if they are consistent with the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medi-Cal compliance, and instead in many cases are examinations of core business practices of the healthcare organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation, and others. These challenges and questions have come from a variety a sources, including state attorneys general, the Internal Revenue Service, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

Congressional Hearings. The House Committee on Energy and Commerce has launched a nationwide investigation of hospital billing and collection practices and prices charged to uninsured patients. Twenty large hospital and healthcare systems were requested to provide detailed historical charge and billing practice information. In April 2005, the Committee requested additional information from ten large hospital systems and indicated the Committee was extending its inquiry into the forms of hospital bills and the impact of hospital "charge masters" on patients.

In 2004, the Senate Finance Committee also conducted hearings on reforms to the nonprofit sector. At the hearing, the Finance Committee released a staff discussion draft on proposals for reform in the area of tax-exempt organizations, including a proposal for a five-year review of tax-exempt status by the Internal Revenue Service. The Finance Committee is currently conducting additional hearings relating to nonprofit corporations.

Complementary to the Senate Committee hearings, the House Committee on Ways and Means held a hearing in April, 2005 to examine the tax-exempt sector. In May, 2005, the Committee conducted a hearing that focused more specifically on hospital tax-exemption. The Committee may be continuing this series of hearings throughout the year.

Internal Revenue Service Examination of Compensation Practices. In August 2004, the Internal Revenue Service announced a new enforcement effort to identify and halt abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. The IRS announced that it would contact nearly 2,000 charities and foundations to seek more information about their compensation practices and procedures. The IRS stated that this enforcement project could continue into 2005. The Corporation has not been contacted by the IRS in connection with this enforcement effort.

Litigation Relating to Billing and Collection Practices. Law suits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. To date, the Corporation has not been named as a defendant in any such law suits. The cases are not proceeding in federal district courts. It is not possible to predict the outcome of the litigation, nor whether it will have any impact on the Corporation

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit healthcare providers by state and local taxing authorities have been challenged on the grounds that the healthcare providers were not engaged in charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins. While the Corporation is not aware of any current challenge to the tax exemption afforded to any material real property of the Corporation, there can be no assurance that these types of challenges will not occur in the future.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. The California Public Employees' Retirement System, the nation's third largest purchaser of employee health benefits, has pledged to take action to restrain the rate of growth of hospital charges and has excluded certain California hospitals from serving its covered members. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted.

The foregoing are some examples of the challenges and examinations facing nonprofit healthcare organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations, and may indicate an increasingly more difficult operating environment for healthcare organizations, including the Corporation. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse effect on the Corporation and in turn its ability to make payments under the Loan Agreement and Obligation No. 2.

Patient Service Revenues

The Medicare Program. Medicare is the federal health insurance system under which hospitals are paid for services provided to eligible elderly and disabled persons. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the state and/or the JCAHO. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services.

For the fiscal years ended December 31, 2003 and December 31, 2004, Medicare payments represented approximately 26.0% and 24.6%, respectively, of the Corporation's gross patient service revenue, including Medicare managed care, which was approximately 3.6% and 3.4%, respectively. See APPENDIX A — "SUMMARY OPERATING AND FINANCIAL INFORMATION – Sources of Revenue."

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups, or DRGs. The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS and are subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Corporation's facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination.

[More disclosure on teaching?]

Medi-Cal Program. Medi-Cal is a California program of medical assistance, funded jointly by the federal government and the State of California, for certain needy individuals and their dependants. The federal government provides limited funding to the Medi-Cal program (so long as it meets federal standards). Attempts to balance or reduce the federal budget and/or California's budget will likely negatively impact Medi-Cal spending.

The State of California selectively contracts with general acute care hospitals to provide inpatient services to Medi-Cal patients. The state is obligated to make contractual payments only to the extent the legislature appropriates adequate funding. Except in areas of the state that have been excluded from contracting, a general acute care hospital generally will not qualify for payment for non-emergency acute inpatient services rendered to a Medi-Cal beneficiary unless it is a contracting hospital. Typically, either party may terminate such contracts on 120 days' notice and the state may terminate without notice under certain circumstances. No assurances can be made that hospitals will be awarded Medi-Cal contracts or that any such contracts will reimburse hospitals for the cost of delivering services.

For the fiscal years ended December 31, 2003 and December 31, 2004, the Corporation received approximately 35.0% and 35.6%, respectively, of gross patient service revenues from Medi-Cal programs, including

Medi-Cal managed care, which was approximately 5.9% and 6.4%, respectively. See APPENDIX A — "SUMMARY OPERATING AND FINANCIAL INFORMATION – Sources of Revenue."

Disproportionate Share Payments. The federal Medicare and the California Medi-Cal programs each provide additional payment for hospitals that serve a disproportionate share of certain low income patients. The Medical Center qualifies as a disproportionate share hospital and is expected to qualify from time to time in future years, but there can be no assurance that the Corporation will qualify for disproportionate share status in the future. There also can be no assurance that payments for disproportionate share will not be decreased or eliminated in the future, particularly under the Medi-Cal program. Disproportionate share payments are frequently the target of proposed Medi-Cal payment reductions.

State Budget. The State of California faces severe financial challenges, including erosion of general fund tax revenues. These factors have resulted in a shortfall between revenue and spending demands. California faces a significant gap between the expected level of tax revenues and projected expenditures for the fiscal year 2004-05. Cuts in state Medi-Cal spending, which were scheduled to become effective January 1, 2004, were enjoined by a California state district court, although the State of California is seeking an appeal of the decision. It continues to be a question whether and when the cuts in Medi-Cal spending will be effective. California's 2004-05 budget provided for an additional 5% cut in provider reimbursement rates under Medi-Cal. No cuts in provider reimbursement rates under Medi-Cal have been proposed for the 2005-06 budget. California's 2005-06 budget, however, proposes a number of significant adjustments and policy changes that include requiring certain beneficiaries whose annual income exceeds the federal poverty level to pay monthly premiums for their care. There is a risk that such beneficiaries may be unable to pay the required monthly premiums. In that event, such individuals would fall out of the Medi-Cal program altogether and become uninsured patients who may be unable to pay for their care.

The financial challenges facing the State of California may negatively affect hospitals in a number of ways, including, but not limited to, a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medi-Cal and/or reductions in Medi-Cal reimbursement rates.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations, or HMOs, and preferred provider organizations, or PPOs, that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Medicare and Medi-Cal also purchase hospital care using managed care options. Payments to hospitals from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

In California, managed care plans have replaced indemnity insurance as the prime source of non-governmental payment for hospital services, and hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. Regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require multiple forms of cost containment.

Defined broadly, for the fiscal years ended December 31, 2003 and December 31, 2004, managed care payments (excluding Medicare and Medi-Cal contracts) constituted approximately 33.9% and 34.7%, respectively, of gross patient service revenues of the Corporation. See APPENDIX A — "SUMMARY OPERATING AND FINANCIAL INFORMATION – Sources of Revenue."

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. The hospital may assume financial risk for the cost and scope of institutional care given. If payment is

insufficient to meet the hospital's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses and may require hospitals to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the hospital. Hospitals from time to time have disputes with managed care payors concerning payment and contract interpretation issues.

Failure to maintain contracts could have the effect of reducing the Corporation's market share and net patient services revenues. Conversely, participation may result in lower net income if participating hospitals are unable to adequately contain their costs. Thus, managed care poses one of the most significant business risks (and opportunities) the hospitals face.

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to the beneficiaries. Under these laws, hospitals and others can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, billing in a manner that does not comply with government requirements or including inaccurate billing information, billing for services deemed to be medically unnecessary, or billings accompanied by an illegal inducement to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare/Medi-Cal programs, civil monetary penalties, and suspension of Medicare/Medi-Cal payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation.

Laws governing fraud and abuse may apply to a hospital and to nearly all individuals and entities with which a hospital does business. Fraud investigations, settlements, prosecutions and related publicity can have a catastrophic effect on hospitals. See "Enforcement Activity" below. Major elements of these often highly technical laws and regulations are generally summarized below.

False Claims Act. The False Claims Act, or FCA makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government, and may include claims that are simply erroneous. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Violation or alleged violation of the FCA most often results in settlements that require multi-million dollar payments and compliance agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government or recover independently if the government does not participate. The FCA has become one of the government's primary weapons against health care fraud. FCA violations or alleged violations could lend to settlements, fines, exclusion or reputation damage that could have a material adverse impact on a hospital.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) for any item or service that is paid by any federal or state health care program. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases and other transactions.

Violation or alleged violation of the Anti-Kickback Law most often results in settlements that require multi-million dollar payments and compliance agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. Violation is a felony, subject to a fine of up to $250,000 for each act (which may be each item

or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medi-Cal programs. In addition, civil monetary penalties of $10,000 per item or service in noncompliance (which may be each item or each bill sent to a federal program) or an "assessment" of three times the amount claimed may be imposed.

Stark Referral Law. The federal "Stark" statute prohibits the referral of Medicare and Medi-Cal patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician has a financial relationship. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual, for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain technical requirements are met, many ordinary business practices and economically desirable arrangements between hospitals and physicians arguably constitute "financial relationships" within the meaning of the Stark statute, thus triggering the prohibition on referrals and billing. Most providers of the designated health services with physician relationships have some exposure to liability under the Stark statute.

Medicare may deny payment for all services related to a prohibited referral and a hospital that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare program. For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. The government may also seek substantial civil monetary penalties, and in some cases, a hospital may be liable for fines up to three times the amount of any monetary penalty, and/or be excluded from the Medicare and Medi-Cal programs. Although Stark does not have an extensive enforcement history, potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

HIPAA. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, adds additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

Exclusions from Medicare or Medi-Cal Participation. The government may exclude a hospital from Medicare/Medi-Cal program participation that is convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medi-Cal program means that a hospital would be decertified and no program payments can be made. Any hospital exclusion could be a materially adverse event, even within a large hospital system.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws and thus, health care providers may have a higher risk of imposition of monetary penalties as a result of an administrative enforcement actions.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions potentially could be imposed.

Enforcement Activity. Enforcement activity against health care providers has increased and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medi-Cal and/or similar payments and/or by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above and therefore, penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals in a health system, as the government often extends enforcement actions regarding health care fraud to other hospitals in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse as to a hospital could have materially adverse consequences to a health system taken as a whole.

Liability Under State "Fraud" and "False Claims" Laws. Hospital providers in California also are subject to a variety of state laws, related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to Stark). These prohibitions while similar in public policy and scope to the federal laws have not in all instances been avidly enforced to date. However, in the future they could pose the possibility of material adverse impact for the same reasons as the federal statutes.

HIPAA Privacy Requirements. HIPAA addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined protected health information is prohibited unless expressly permitted under the provisions of the HIPAA statute and regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information. The penalties range from $50,000 to $250,000 and/or imprisonment if the information was obtained or used with the intent to sell, transfer or use the information for commercial advantage, personal gain or malicious harm.

EMTALA. The Emergency Medical Treatment and Active Labor Act, or EMTALA, is a federal civil statute that requires hospitals to treat or conduct a medical screening for emergency conditions and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient. A hospital that violates EMTALA is subject to civil penalties of up to $50,000 per offense and exclusion from Medicare and Medi-Cal programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation.

Licensing, Surveys, Investigations and Audits. Health facilities are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and the JCAHO. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses could reduce hospital utilization or revenues, or a hospital's ability to operate all or a portion of its facilities.

Environmental Laws and Regulations. Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Hospitals may be subject to requirements related to investigating and remedying hazardous substances located on their property, including such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Business Relationships and Other Business Matters

Hospital Pricing. Inflation in hospital costs may evoke action by legislatures, payors or consumers. A recent study reports that by 2006, family heath care coverage in employer-sponsored plans will cost twice what it did in 2001. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. Major purchasers of hospital services could also take action to restrain hospital charges or charge increases. The House Committee on Energy and Commerce has launched a nationwide investigation of hospital billing practices and prices charged to uninsured patients.

In California, the California Public Employees' Retirement System, the nation's third largest purchaser of employee health benefits, has pledged to take action to restrain the rate of growth of hospital charges and has excluded certain California hospitals from serving its covered members.

As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers and hospitals may be forced to reduce fees for their services. Decreased utilization could result and hospitals' revenues may be negatively impacted.

Integrated Physician Groups. Hospitals and hospital systems often own, control or have affiliations with relatively large physician groups. Generally, the sponsoring hospital or health system will be the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. These goals may not be achieved, however, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

Integrated delivery systems carry with them the potential for legal or regulatory risks in varying degrees. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization.

Indigent Care, Underinsured and Uninsured Patients. Tax-exempt hospitals often treat large numbers of indigent patients who are unable to pay in full for their medical care. Typically, urban, inner-city hospitals may treat significant numbers of indigents. These hospitals may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage affects the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medi-Cal) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Physician Medical Staff. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Specialty hospital developments that attract away an important segment of an existing hospital's admitting specialists may be particularly damaging. For example, some large hospitals may have significant dependence on heart surgery programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant component of such a hospital's heart surgeons develop their own specialty heart hospital (alone or in conjunction with a growing number of specialty hospital operators and promoters) taking with them their patient base, the hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty hospital, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could be materially adverse to the hospital. A moratorium imposed under Stark on physician investment in new specialty hospitals has expired. A variety of proposals have been advanced recently to prohibit such investments.

On September 6, 2005, the City approved the construction of a specialty hospital to be located in the City of Loma Linda. See APPENDIX A – "SERVICE AREA AND COMPETITION" and "– MANAGEMENT DISCUSSION OF FINANCIAL OPERATIONS."

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of the hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Antitrust. While enforcement of the antitrust laws against hospitals has been less intense in recent years, antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. The application of the federal and state antitrust laws to health care is evolving, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines.

Labor Relations and Collective Bargaining. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation.

Currently none of the Corporation employees are covered by collective bargaining agreements. See APPENDIX A — "OTHER INFORMATION - Employees."

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The Internal Revenue Service, or the IRS, has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

Staffing. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals.

Effective January 1, 2004, California implemented nurse staffing ratios for all patient care areas. The impact on California hospitals will vary by facility. The required staffing, in aggregate, is more costly than prevalent, current staffing patterns.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the Corporation if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of the Corporation. The tax-exempt status of the Bonds presently depends upon maintenance by the Corporation of its status as an organization described in section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as medical office building leases, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

The Corporation may participate in a variety of joint ventures and transactions with physicians either directly or indirectly. Management intends that any joint ventures and transactions, if any, to which the Corporation

will be a party will be consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law in this area.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. The IRS conducts special audits of large tax-exempt health care organizations with at least $500 million in assets or $1 billion in gross receipts. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing of partnerships and joint ventures, retirement plans and employee benefits, employment taxes, political contributions and other matters.

If the IRS were to find that the Corporation has participated in activities in violation of certain regulations or rulings, the tax-exempt status of the Corporation could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by the Corporation potentially could result in loss of tax exemption of the Bonds and of other tax-exempt debt of the Corporation and defaults in covenants regarding the Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Corporation. For these reasons, loss of tax-exempt status of the Corporation could have a material adverse effect on the financial condition of the Corporation.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt hospitals in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt hospitals entered into settlement agreements requiring the hospital to make substantial payments to the IRS. Given the size of the Corporation, the wide range of complex transactions entered into by the Corporation, and potential exemption risks, the Corporation could be at risk for incurring monetary and other liabilities imposed by the IRS.

In lieu of revocation of exempt status, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons." An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or shares the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager" who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on the Corporation or the tax status of the Bonds if an excess benefit transaction were subject to IRS enforcement, pursuant to these "intermediate sanctions" rules.

State and Local Tax Exemption. Until recently, the State of California has not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. In California it is possible that legislation may be proposed to strengthen the role of the California Franchise Tax Board and the Attorney General in supervising nonprofit health systems. It is likely that the loss by the Corporation of federal tax exemption would also trigger a challenge to its state tax-exemption. Depending on the circumstances, such event could be material and adverse.

State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases, particularly where authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of the Corporation is currently treated as exempt from real property taxation. Although the real property tax exemption of the Corporation with respect to its core hospital facilities has not, to the knowledge of management, been under challenge or investigation, an audit could lead to a challenge that could adversely affect the real property tax exemption of the Corporation.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the Corporation by requiring payment of income, local property or other taxes.

Maintenance of Tax-Exempt Status of Interest on the Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that the City files an information report with the IRS. The Corporation has covenanted in the Loan Agreement that it will comply with such requirements. Future failure by the Corporation to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Bonds as taxable, retroactively to the date of issuance. The City has covenanted in the Bond Indenture that it will not take any action or refrain from taking any action that would cause interest on the Bonds to be included in gross income for federal income tax purposes.

IRS officials have recently indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector, with specific reviews of private use. The Bonds may be, from time to time, subject to audits by the IRS. The Corporation believes that the Bonds properly comply with the tax laws. In addition, Bond Counsel will render an opinion with respect to the tax-exempt status of the Bonds, as described under the caption "TAX MATTERS." The Corporation has not sought to obtain a private letter ruling from the IRS with respect to the Bonds, and the opinion of Bond Counsel is not binding on the IRS. There is no assurance that an IRS examination of the Bonds will not adversely affect the market value of the Bonds. See "TAX MATTERS" herein.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As a tax-exempt organization, the Corporation is limited with respect to their use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of the hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment of additional tax. Any suspension, limitation, or revocation of the Corporation's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Corporation and might lead to loss of tax exemption of interest on the Bonds.

Limitations Relating to Remedies Under the Deed of Trust

Valuation. The facilities of the Corporation are special purpose facilities with limited alternative possible uses and are located in a region that has experienced real property market volatility throughout the past few years. There can be no assurance that, if the Members default in making the payments under the Obligations, including Obligation No. 2, (i) any part or all of the Corporation could be foreclosed upon and sold for an amount sufficient to fully pay the outstanding principal of and interest on the Bonds, or (ii) any bid would be received for the Corporation and, if received, that such bid would be sufficient to fully pay the outstanding principal of and interest on the Bonds.

Priority of the Liens. The liens created under the Deed of Trust delivered by the Corporation constitute first liens on and security interests in the Corporation as described therein. The liens are subordinate to and independent of liens for general property taxes, special taxes and assessments. Additional special taxes or assessments may be imposed on the Corporation by the City and/or other public agencies that have jurisdiction over the Corporation. Such future special taxes or assessments would have priority over the liens created under the Deed of Trust. Additionally, the Corporation may create Permitted Liens which have priority over the liens created under the Deed of Trust.

Hazardous Substances. While governmental taxes, assessments and charges are common claims against the value of property, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized is a claim with regard to hazardous substances. In general, the Corporation may be required by law to remedy conditions of the Corporation relating to release of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these

laws. California laws with regard to hazardous substances are stringent and similar to the federal acts. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition on property, whether or not the owner (or operator) had or has anything to do with the creation or handling of the hazardous substance. Consequently, if any part of the Corporation's facilities is affected by a hazardous substance, the marketability and value of the parcel may be reduced by the cost of remedying the condition. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling the hazardous substance. Any of these circumstances could significantly affect the value of the Corporation's facilities that would be realized upon a delinquency and foreclosure.

Foreclosure. There are two methods of foreclosing on a deed of trust under California law: by nonjudicial sale and by judicial sale. Foreclosure under a deed of trust may be accomplished by a nonjudicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and election to sell and must send a copy to the trustor, any person who has recorded a request for a copy of the notice of default and notice of sale, any successor in interest of the trustor and the beneficiary of any junior deed of trust. Following the lapse of three months after recording the notice of default and election to sell, the trustee may give notice of sale. The notice of sale must be posted in a public place and published once each week throughout a 20-day period prior to the trustee's sale. Such notice of sale must be posted on the property and must be sent to the trustor, to each person who has requested a copy, to any successor in interest of the trustor and to the beneficiary of any junior deed of trust at least 20 days prior to the sale. The trustor, any successor in interest of the trustor, or any person having a junior lien or encumbrance of record may cure the default during the statutory reinstatement period by paying the entire amount of the debt then due under the terms of the deed of trust and the obligations secured thereby (exclusive of principal due by virtue of acceleration upon default) plus costs and expenses actually incurred in enforcing the obligation and certain statutorily limited attorneys' and trustee's fees. In addition, the notice of sale must be recorded with the county recorder at least 14 days prior to the date of sale. Following the sale, neither the trustor nor any junior lien holder has any right of redemption, and the beneficiary may not ordinarily obtain a deficiency judgment against the trustor.

If foreclosure under a deed of trust is sought in the form of a judicial foreclosure, it generally is subject to most of the delays and expenses that occur with other lawsuits. Judicial foreclosure sometimes requires up to several years to complete. The primary advantage of a judicial foreclosure is that the beneficiary is entitled, subject to other limitations, to obtain a deficiency judgment against the trustor to the extent that the amount of the debt is in excess of the fair market value of the property. Following a judicial foreclosure sale, the trustor or its successors in interest may redeem the property for a period of one year (or a period of three months if the entire amount of the debt is bid at the foreclosure sale).

Antideficiency Legislation and Other Limitations on Lenders. The State of California has four principal statutory prohibitions limiting the remedies of a beneficiary under a deed of trust. Two of these prohibitions limit the beneficiary's right to obtain a deficiency judgment, one being based on the method of foreclosure and the other on the type of debt secured. Under the former, a deficiency judgment ordinarily is barred when the foreclosure is accomplished by means of a nonjudicial trustee's sale, except where the deed of trust is given to secure the payment of bonds authorized or permitted to be issued by the California Commissioner of Corporation. Under the latter (not intended to be applicable in this situation), a deficiency judgment is barred where a foreclosed deed of trust secures certain purchase money obligations.

Another California statute, commonly known as the "one form of action" rule, requires the beneficiary to exhaust the security under a deed of trust by foreclosure before bringing a personal action against the trustor on the indebtedness. If a court were to hold that this rule were applicable to the Deed of Trust and the Bond Trustee were to file suit to collect the debt under the Loan Agreement or the Bond Indenture without seeking first to have the Master Trustee enforce its remedies under the Deed of Trust, they might be precluded from thereafter proceeding under the Deed of Trust to foreclose on the Corporation's facilities.

Another statutory provision limits any deficiency judgment obtained by a beneficiary following a judicial sale to the excess of the outstanding debt above the fair market value of the property at the time of sale. This prevents a beneficiary from obtaining a large deficiency judgment against the debtor as the result of low bids at a judicial sale.

Other statutory provisions (such as the federal bankruptcy laws) may have the effect of delaying enforcement of the lien of the Deed of Trust in the event of a default by the Corporation.

Other Risk Factors

Earthquakes. Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in California could destroy or disable the Corporation's hospital facilities.

California requires each acute care hospital in the state to either comply with new hospital seismic safety standards or cease acute care operations by January 1, 2008. The January 1, 2008 deadline will be extended to January 1, 2013 if a hospital shows that capacity lost in the closure of a facility cannot be provided by another facility in the area or if a hospital agrees that, on or before January 1, 2013, designated services will be provided by moving into an existing conforming building, relocating to a newly built building or continuing in the building as retrofitted to comply with the standards. Legislation has been proposed that would extend the January 1, 2008 deadline to January 1, 2020, if the governing body of the hospital submits to the California Department of Health Services by July 1, 2006, a resolution that the governing body commits to comply with the seismic safety standards by January 1, 2020. It cannot be predicted whether this legislation will be enacted. See APPENDIX A — "CURRENT PROJECTS – Earthquake Retrofit."

Investments. The Corporation has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be and historically have been at times material. For a discussion of the Corporation's investments, see APPENDIX A — "MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS – Investment Policy and Performance."

Construction Risks. Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and other factors. Cost overruns could cause the costs to exceed available funds.

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers, including the Corporation or the market value of the Bonds, to an extent that cannot be determined at this time.

(a) Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

(b) Reduced demand for the services of the Corporation that might result from decreases in population.

(c) Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

(d) Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

(e) The occurrence of a natural or man-made disaster that could damage the Corporation's facilities, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the Corporation's operations and the generation of revenues from the facilities.

(f) Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending against the City or, to the knowledge of their officers, threatened, restraining or enjoining the issuance of the Bonds or in any way contesting or affecting (i) the validity of the Bonds or (ii) any proceedings of the City taken concerning the issuance or sale thereof.

There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of their officers, threatened, restraining or enjoining the issuance of the Bonds or in any way contesting or affecting (i) the validity of the Bonds or (ii) any proceedings of the Corporation taken concerning the issuance or sale thereof, or the collection of Revenues pledged under the Bond Indenture.

Except as set forth in APPENDIX A to this Official Statement, no litigation is now served upon or, otherwise pending or threatened against the Corporation which in the aggregate would have a material adverse effect on the Corporation's operations or condition, financial or otherwise.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Corporation and others and is subject to the condition that the Corporation complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Corporation has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Bond Counsel has relied on the opinion of DLA Piper Rudnick Gray Cary, Counsel to the Corporation, that the Corporation is an organization described in Section 501(c)(3) of the Code, regarding the intended operation of the facilities to be financed by the Bonds as substantially related to the Corporation's exempt purpose under Section 513 of the Code and other matters. Neither Bond Counsel nor Counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service ("IRS"). Failure of the Corporation to be organized and operated in accordance with IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code may result in interest on the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Loan Agreement, and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling, Yocca, Carlson & Rauth.

Although Bond Counsel has rendered an opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes provided that the Corporation continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences with respect to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

APPROVAL OF LEGALITY

The issuance of the Bonds is subject to the approving opinion of Stradling Yocca Carlson & Rauth, Bond Counsel, substantially in the form set forth as APPENDIX E. Certain legal matters will be passed upon for the Corporation by their special counsel, DLA Piper Rudnick Gray Cary, for the City by their special counsel, Robbins & Holdaway, Inc., and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP.

UNDERWRITING

The Underwriters have agreed to purchase the Bonds at a purchase price of $_____. The difference between the par amount of the Bonds and the purchase price is composed of a net original issue premium of $_____ and an underwriting discount of $_____. The Bond Purchase Contract provides that the Underwriters will purchase all of the Bonds, if any are purchased, and contains the agreements of the Corporation, to indemnify the Underwriters and the City against certain liabilities to the extent permitted by law. The initial public offering prices set forth on the cover may be changed without notice from time to time by the Underwriters.

INDEPENDENT AUDITOR

The consolidated financial statements of the Corporation as of and for the years ended December 31, 2004 and 2003, included in the APPENDIX B to this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report appearing herein.

VERIFICATION

Upon the delivery of the Bonds, _____, a firm of independent public accountants (the "Verification Agent"), will verify from the information provided to them the mathematical accuracy, as of the date of delivery of the Bonds, of the computations contained in the provided schedules to determine that the anticipated receipts from the Escrow Securities, to be held in the respective escrow accounts for each of the Prior Bonds, will be sufficient to pay, when due, the principal, interest and premium payment requirements, on the Prior Bonds.

RATINGS

[S&P] has assigned the Bonds the municipal bond rating of _____.

The rating and an explanation of its significance may be obtained from the rating agency. Such rating only reflects the views of the rating agency.

Generally, rating agencies base their ratings on the information and materials furnished to them and on investigations, studies and assumptions by the ratings agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. The City, the Underwriters and the Corporation have undertaken no responsibility to bring to the attention of the Holders of the Bonds any proposed revision or withdrawal of any rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of any rating could have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds, the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2 and the Deed of Trust and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Indenture, the Loan Agreement, the Master Indenture, Obligation No. 2 and the Deed of Trust may be obtained during the offering period upon request to the Underwriters and thereafter upon request to the principal corporate trust office of the Bond Trustee.

This Official Statement has been issued by the City and approved by the Corporation. This Official Statement is not to be construed as a contract or agreement between the City or the Corporation and the purchasers or Holders of any of the Bonds.

CITY OF LOMA LINDA

By:_____
City Manager

APPROVED BY:

LOMA LINDA UNIVERSITY MEDICAL CENTER

By:_____
[Chief Financial Officer]

APPENDIX A

INFORMATION CONCERNING LOMA LINDA UNIVERSITY MEDICAL CENTER

Information in this Appendix A has been provided by Loma Linda University Medical Center.

INTRODUCTION

Overview

Loma Linda University Medical Center, a California nonprofit religious corporation (the "Corporation"), operates a healthcare delivery system serving the Southern California Counties of San Bernardino, Riverside, Inyo and Mono, an area approximating one quarter of the area of the State of California. The Corporation is part of an academic health sciences center affiliated with Loma Linda University, which provides an integrated delivery system for healthcare as well as teaching and research. The Corporation is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code").

The Corporation operates a 789-licensed bed acute care teaching hospital (the "Medical Center") located in part on land leased from Loma Linda University Adventist Health Sciences Center, a California nonprofit religious corporation that serves as the sole corporate member of the Corporation ("LLUAHSC"). The Medical Center includes the Children's Hospital, a five-story facility that opened in 1993 and includes 270 licensed beds, 72 of which are in one of the world's largest newborn intensive care units and the East Campus facility, located approximately 1 mile from the main hospital facility, which includes 118 licensed beds.

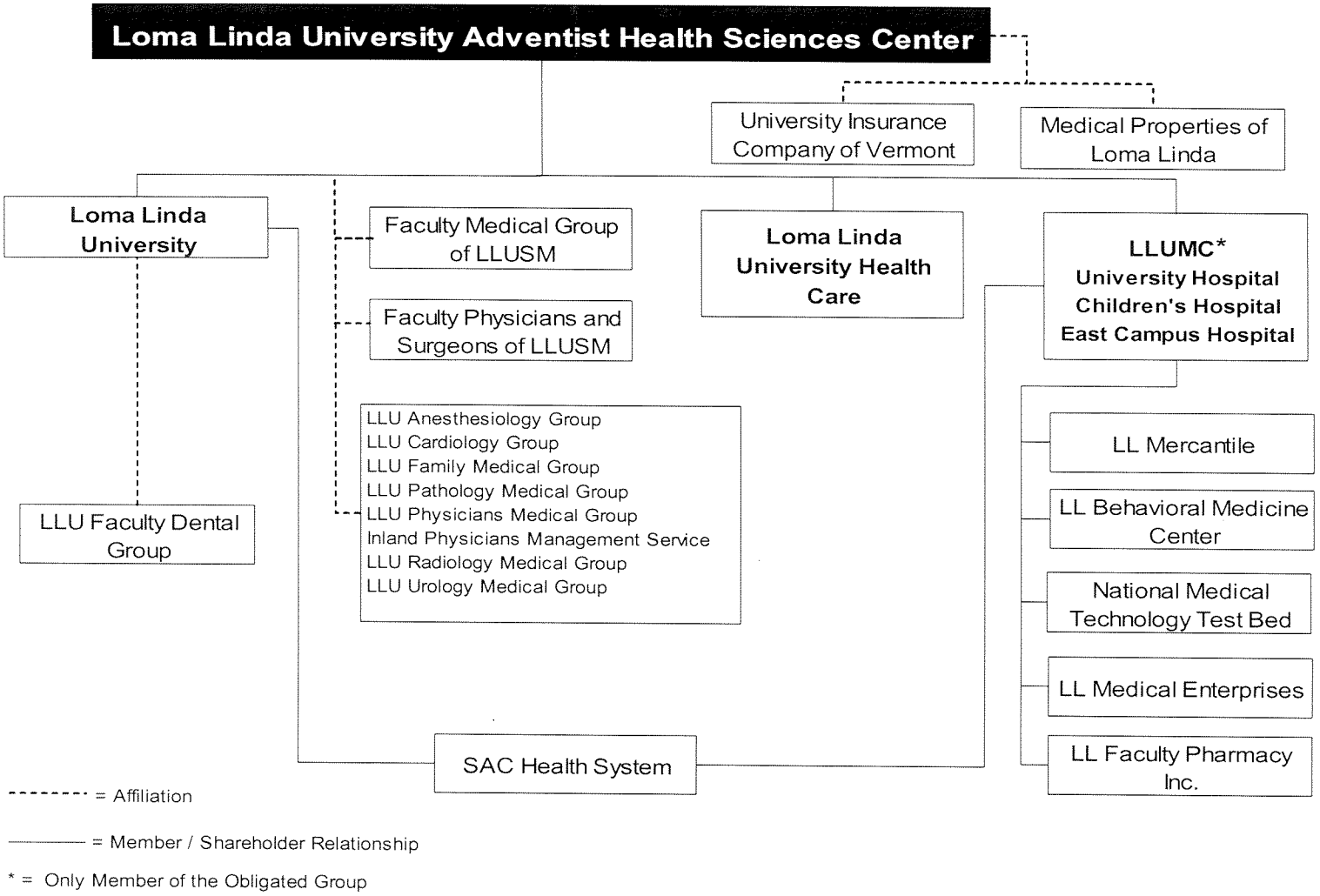
The Corporation is one of many medical and educational institutions established by or associated with the Seventh-day Adventist Church and has an affiliation agreement with Loma Linda University. See "CORPORATE STRUCTURE AND GOVERNANCE – Affiliation Agreement with Loma Linda University" below. The Corporation's stated purpose is to further the medical and educational ministries of the Seventh-day Adventist Church and "to make man whole," physically, mentally and spiritually by operating a medical center as (1) a teaching facility for the training of students in medically related professions and skills, (2) a tertiary care and quaternary-care facility, (3) a facility providing quality medical care, (4) a scientific research facility and (5) a facility where health education and preventive health measures are promoted for the communities served by the Medical Center. The Corporation's mission is to continue the healing ministry of Jesus Christ in a setting of advancing medical science and to provide a stimulating clinical and research environment for the education of physicians, nurses and other health professionals

CORPORATE STRUCTURE AND GOVERNANCE

Membership

LLUAHSC, the sole corporate member of the Corporation, acts as an administrative coordinator for the various entities affiliated with the Seventh-day Adventist Church providing healthcare and healthcare-related services in the Loma Linda area. Members of the Board of LLUAHSC constitute a majority in voting membership of other nonprofit related entities, and LLUAHSC is the sole shareholder of Medical Properties of Loma Linda, Inc. See "Affiliated Corporations" below. LLUAHSC is consulted with respect to broad management policy issues facing these related entities, and management assistance is rendered to these entities, as well as to the Corporation, on a contract basis where requested. LLUAHSC and the Corporation have entered into a management contract with respect to the Medical Center, and senior officers of the Corporation are employees of LLUAHSC. See "Management Services Agreement with LLUAHSC" below. LLUAHSC does not provide healthcare services to patients.

The Corporation is affiliated with a number of nonprofit and for-profit entities through LLUAHSC. An organization chart is presented below. **The Corporation is the sole Member of the Obligated Group under the Master Indenture and the sole borrower under the Loan Agreement. None of Loma Linda University, LLUAHSC or any other affiliated organization is a Member of the Obligated Group, a borrower under the Loan Agreement, or otherwise has any obligation to make payments on Obligations issued under the Master Indenture (including Obligation No. 2), the Loan Agreement or the Bonds.**


Loma Linda University Adventist Health Sciences Center
University Insurance Company of Vermont
Medical Properties of Loma Linda
Loma Linda University
Faculty Medical Group of LLUSM
Faculty Physicians and Surgeons of LLUSM
Loma Linda University Health Care
LLUMC*
University Hospital
Children's Hospital
East Campus Hospital
LLU Anesthesiology Group
LLU Cardiology Group
LLU Family Medical Group
LLU Pathology Medical Group
LLU Physicians Medical Group
Inland Physicians Management Service
LLU Radiology Medical Group
LLU Urology Medical Group
LLU Faculty Dental Group
LL Mercantile
LL Behavioral Medicine Center
National Medical Technology Test Bed
LL Medical Enterprises
LL Faculty Pharmacy Inc.
SAC Health System
= Affiliation
= Member / Shareholder Relationship
* = Only Member of the Obligated Group

Board of Trustees

Members of the Board of Trustees of the Corporation (the "Board") are elected to five-year terms by LLUAHSC. The current terms extend through April 2006. Subject to the articles of incorporation and the bylaws of the Corporation and the articles of incorporation and the bylaws of LLUAHSC, all powers of the Corporation are to be exercised by or under the authority of the Board. The Board consists of 21 members, not fewer than 18 of whom are members of the LLUAHSC Board. There is currently one vacancy on the Board. Regular meetings of the Board are held quarterly and special meetings may be called at any time by the Chairman or any five or more Trustees. The Board has created an executive committee to carry out certain functions of the Board with respect to matters that arise between the regular quarterly Board meetings. The Board has also appointed a Finance Committee and an Audit Committee. The current members of the Board are as follows:

Board of Trustees
Loma Linda University Medical Center

Name/Title	Credentials	Occupation	Business Address
Ammon, Donald R.*†, ††	MBA	President, Adventist Health**	Roseville, CA
Bediako, Matthew A.	MA, MSPH	General Vice President, General Conference of Seventh-day Adventists	Silver Spring, MD
Behrens, Lyn B.*†	MBBS	President & CEO, LLUAHSC and President of the Corporation**	Loma Linda, CA
Carmen, Robert G.	OTR, MPA	Executive VP, Adventist Health	Roseville, CA
Cooper, Lowell C., Chairman*†	MDiv, MPH	General Vice President, General Conference of Seventh-day Adventists	Silver Spring, MD
Couperus, James*	MD	Physician, the Medical Center	Loma Linda, CA
Fike, Ruthita J.*†	MA	CEO & Administrator, the Corporation**	Loma Linda, CA
Hadley, Roger H.*	MD	Dean, Loma Linda University School of Medicine and Executive Vice President for Medical Affairs, LLUAHSC**	Loma Linda, CA
Handysides, Allan	MBChB	Director, Health Ministries, General Conference of Seventh-day Adventists**	Silver Spring, MD
Hart, Richard H.	MD, DrPH	Chancellor, Loma Linda University**	Loma Linda Conference of Seventh-day Adventists, CA
Lemon, Robert E.*†, ††	MBA	Treasurer, General Conference of Seventh-day Adventists**	Silver Spring, MD
Lindsey, Ronald A.†	MBA	Secretary-Treasurer, Hawaii Conference of Seventh-day Adventists	Honolulu, HI
Mostert, Thomas J.†	MA	President, Pacific Union Conference of Seventh-day Adventists	Westlake Village, CA
Park, Luther†		Retired Investment Executive	Honolulu, HI
Paulsen, Jan	DTh, BD	President, General Conference of Seventh-day Adventists**	Silver Spring, MD
Ramirez, Ted. L.†	JD	Attorney-at-Law	Washington, DC
Schneider, Don C.*†	MA	President, North American Division of Seventh-day Adventists**	Silver Spring, MD
Testerman, John*	MD	Physician – President of Medical Staff**	Loma Linda, CA

Name/Title	Credentials	Occupation	Business Address
Trevino, Max††		President, Southwestern Union Conference of Seventh-day Adventists	Burleson, TX
Watkins, Dixie Lea		Founding President and Special Events Co-chair, Children's Hospital Guild	Redlands, CA

* Member of Executive Committee
† Member of Finance Committee
†† Member of Audit Committee
** Ex Officio

Management Services Agreement with LLUAHSC

LLUAHSC provides management of the Corporation through the employment of its executive leadership, including the president, chief executive officer, chief financial officer, senior vice president and vice presidents. These individuals guide and direct strategic planning and implementation, as well as day-to-day operations. Payment for the aforementioned services is enumerated in the Management Services Agreement dated July 1, 2004 and was approximately $3.3 million in 2004. The current Management Services Agreement is between LLUAHSC, the University, the Corporation, LLU Health Care, LLU Behavioral Medicine, Faculty Medical Group of LLUSM and Faculty Physicians and Surgeons of LLUSM and continues in effect through June 30, 2009.

Senior Management

The officers of the Corporation include the president, chief executive officer, vice presidents, a corporate secretary, a chief financial officer and a chief operating officer, all of whom are to be elected every five years by the Board at its organizational meeting, and each is to hold office until such officer resigns, is removed or is otherwise disqualified to serve, or a successor is elected. The president of the Corporation serves as Vice Chair of the Corporation's Board of Trustees, harmonizes the mission, vision and values of the Corporation with those of LLUAHSC and its other core and affiliated organizations, leads and participates in the fundraising activities of the Corporation, oversees the external relations between the Corporation and the Seventh-day Adventist Church and coordinates the spiritual life and wholeness, diversity and local and global outreach programs of the Corporation. The chief executive officer is a member of the Corporation's Board of Trustees and is responsible for the operation of the Corporation, including ensuring the fulfillment of its mission of health care ministry through the provision of optimal patient care and financial responsibility to stakeholders. The current members of senior management of the Corporation are as follows:

Dr. B. Lyn Behrens, MBBS, President. Dr. Behrens was appointed as the President and Chief Executive Officer ("CEO") of the Corporation in March 1999. While Ms. Ruthita Fike has been CEO of the Corporation since 2004, Dr. Behrens remains President and Vice Chair of the Board for the Corporation. Dr. Behrens also serves as President of Loma Linda University and LLUAHSC.

Dr. Behrens received her medical degree from Sydney University School of Medicine in Australia, where she graduated in 1964. Following graduation she took a rotating internship at Royal Prince Alfred Hospital in Sydney, and entered a pediatric residency program at Sydney's Royal Alexander Hospital in 1965. She continued her pediatric education at the Medical Center in 1966 and subsequently served as chief resident at the Henrietta Eglestan Hospital for Children in Atlanta, Georgia; and at the T.C. Thompson Children's Hospital in Chattanooga, Tennessee. In 1970, Dr. Behrens joined the faculty of the School of Medicine in the Department of Pediatrics. She was named director of the pediatric residency program in 1975, a position she held until 1981 when she entered a fellowship program in Colorado. She rejoined the School of Medicine faculty in 1984 as director of the pediatric residency program and Vice Chair of the Department of Pediatrics. In 1986, she was appointed Dean of the School of Medicine, a position which she held until 1991. In 1990, Dr. Behrens assumed the presidency of Loma Linda University. In 1995, she was appointed President of the predecessor of LLUAHSC.

Ruthita Fike M.A., Chief Executive Officer. Ms. Fike, who assumed her responsibilities as CEO on February 18, 2004, was formerly Executive Vice President of Operations and Support Services for Centura Health in Englewood, Colorado, Colorado's largest healthcare system. Centura Health is sponsored by Adventist Health System and Catholic Health Initiatives, a national Catholic nonprofit health care system.

From 1996 to 2002, Ms. Fike was CEO of Porter Adventist Hospital, Denver, Colorado, a 368-bed hospital, and Littleton Adventist Hospital, Littleton, Colorado, a 139-bed hospital. From 1989 to 1996, Ms. Fike was Chief Operating Officer and Senior Vice President of Shawnee Mission Medical Center, Shawnee Mission, Kansas. Ms. Fike received a Bachelor of Arts degree from Union College in English and obtained a Masters degree in English Education with a Marketing Emphasis from the University of Nebraska, Lincoln.

Kevin J. Lang MBA, Chief Financial Officer. Mr. Lang began his duties for LLUAHSC, Loma Linda University and the Corporation on July 1, 2005. Mr. Lang serves as the Executive Vice President for Finance and Administration and Chief Financial Officer for LLUAHSC; Senior Vice President and Chief Financial Officer for the Corporation; and Chief Financial Officer/Treasurer for Loma Linda University.

Mr. Lang spent six years at Kettering Medical Center Network in Kettering, Ohio, as Chief Financial Officer. Mr. Lang has also served as Vice President for Finance and regional Chief Financial Officer for Centura Health based in Colorado Springs, Colorado. Mr. Lang has held administrative financial positions for Rocky Mountain Adventist Healthcare in Denver, Colorado and at Corona Regional Medical Center in Corona, California. Mr. Lang received his MBA degree from Loyola University, Chicago, Illinois in 1987.

Steven L. Mohr CPA, Senior Vice President of Finance. Mr. Mohr joined the Corporation in 1998. Mr. Mohr was appointed Vice President of Finance on February 11, 2002 and Senior Vice President of Finance on December 29, 2002. Mr. Mohr also serves as the Chief Financial Officer of Loma Linda University Behavioral Medicine Center, Loma Linda Mercantile, Loma Linda Medical Enterprises and Loma Linda Faculty Pharmacy, Inc. Mr. Mohr also serves on the Board of Trustees for Social Action Community Health System.

Mr. Mohr graduated from Loma Linda University in 1990 with a Bachelor degree in Business Administration, majoring in marketing with a minor in accounting. Mr. Mohr furthered his education at California State University San Bernardino studying accounting in 1992 and 1993 prior to his career in public accounting with Ernst & Young LLP.

Michael H. Jackson, Senior Vice President. Mr. Jackson serves as Senior Vice President of LLUAHSC and the Corporation, an appointment he has held since 2001. Mr. Jackson is responsible for strategic planning, government relations, and is the Jerry L. Pettis Veterans Hospital liaison. Additionally, Mr. Jackson is the Administrator of the Corporation's East Campus and serves as President of National Medical Technology Testbed.

Mr. Jackson previously served as Senior Vice President of Adventist Health in Roseville, California; President of Glendale Adventist Medical Center; President of White Memorial Medical Center; and Administrator of San Diego Children's Hospital. Mr. Jackson received a Bachelor degree in Business and Industrial Management from San Jose State University and a Masters of Public Health degree from the University of California, Los Angeles.

Elizabeth Dickinson, Senior Vice President. Ms. Dickinson was appointed to Senior Vice President of the Corporation in 2002. Ms. Dickinson has oversight responsibilities for patient care standards across the Corporation. Administrative responsibilities include executive direction of the operational and clinical functions for the inpatient units of the main medical center facility.

Prior to her current role, Ms. Dickinson held multiple administrative positions for the Corporation in the Perioperative environment, including peri-anesthesia and intraoperative areas, as well as special procedures, and the Gastrointestinal Lab. Ms. Dickinson graduated from Loma Linda University in 1975 with a Bachelor of Science degree in nursing, and earned a Master of Health Administration in 1992 from Loma Linda University School of Public Health. Ms. Dickinson is a member of the American Organization of Nursing Executives, the Association of Operating Room Nurses, and is a Certified Operating Room Nurse.

Zareh Sarrafian, Senior Vice President. Mr. Sarrafian is the Administrator of the Children's Hospital and also holds the title of Vice President for Business Development with LLUAHSC. Mr. Sarrafian has held this title since 1998.

Mr. Sarrafian has 20 years of administrative experience in business, finance, and healthcare. From 1989 to March 1998, Mr. Sarrafian was Chief Financial Officer and Assistant Administrator for Kaiser Permanente Medical Center in Riverside, California. Before joining Kaiser Permanente, Mr. Sarrafian worked for Morris & Grayson, Inc., La Quinta, California, where he was responsible for formulating and implementing financial policies and budgets for an international destination resort. Mr. Sarrafian received an MBA in finance from California State University San Bernardino in 1991.

Gerald Ellis, MBA, Senior Vice President. Mr. Ellis was appointed Senior Vice President of the Corporation in 1998. Mr. Ellis' current areas of responsibility include the Cancer Institute, International Heart Institute, Radiation Medicine, and the Transplant Institute. Mr. Ellis is also the liaison to Loma Linda University for clinical affiliations.

Mr. Ellis has worked at the Corporation since 1978 and was Director of Respiratory Care from 1984 to 1994 and Administrative Director for Cardiovascular and Pulmonary Services from 1994 to 1998. Mr. Ellis holds an Associate degree in Respiratory Care from San Bernardino Valley College, a Bachelor degree in Health, Physical Education and Recreation from Texas Lutheran University, and an MBA from Loma Linda University of La Verne.

Daniel Fontoura, MBA, Senior Vice President. Mr. Fontoura was named Senior Vice President in 2005 and currently serves as the Administrator of the University Hospital, which includes adult care services on the main campus as well as ancillary services. Mr. Fontoura was named Vice President in 2003 and was assigned the Respiratory Care, Sleep Disorder, Neurodiagnostics Lab, Nutritional Service, Dietician, and Social Work departments.

Mr. Fontoura has worked for the Corporation since 1998 and was Director for Managed Care Finance after which, he assumed responsibility for the Corporation's revenue analytics and international business functions. Mr. Fontoura graduated from the University of California, Riverside in 1989 with a Bachelor of Arts degree in business administration. The next two years were spent as a computer programmer-analyst at Loma Linda University Health Care, where Mr. Fontoura developed and supported financial applications for 20 physician groups. From 1991 to 1993, Mr. Fontoura was in New Haven, Connecticut, where he obtained his MBA at Yale University. After graduation, Mr. Fontoura spent five years with Andersen Consulting (now Accenture) and Arthur Andersen, in their Change Management and Healthcare Consulting practices, respectively.

Affiliated Corporations

The Corporation is affiliated with a number of nonprofit and for-profit entities through its sole corporate member, LLUAHSC. See the organization chart presented above. **The Corporation is the sole Member of the Obligated Group under the Master Indenture and the sole borrower under the Loan Agreement. None of Loma Linda University, LLUAHSC or any other affiliated organization is a Member of the Obligated Group, a borrower under the Loan Agreement, or otherwise has any obligation to make payments on Obligations issued under the Master Indenture (including Obligation No. 2), the Loan Agreement or the Bonds.** Below is a description of the material affiliates of the Corporation.

Loma Linda University Behavioral Medicine Center, Inc. ("LLU Behavioral Medicine") is a California nonprofit religious corporation which became operational in 1987. The single class of members for LLU Behavioral Medicine consists of all the members of the Board of Trustees of LLUAHSC. LLU Behavioral Medicine owns and operates an 89-bed acute care psychiatric hospital in Redlands, California on land leased from the Corporation.

Loma Linda Mercantile is a California nonprofit religious corporation which became operational as of January 1, 1985. Loma Linda Mercantile's primary purpose is to handle purchasing and materials management for its affiliates. The single class of members of Loma Linda Mercantile consist of all members of the Board of Trustees of LLUAHSC.

Loma Linda University Health Care ("LLU Health Care"), a California nonprofit religious corporation, is a management service organization providing services for the faculty practice groups. The Corporation and LLUAHSC are the corporate members of LLU Health Care. See "MEDICAL STAFF AND RESIDENTS – Faculty Practice Groups" and "– LLU Health Care" for additional information regarding the faculty practice groups and LLU Health Care.

Medical Properties of Loma Linda ("Medical Properties") is a California for-profit corporation which was originally incorporated as Lomega, Inc. on November 18, 1981. The stock of Medical Properties is entirely owned by LLUAHSC. Medical Properties owns and operates a medical office building known as Loma Linda Professional Plaza.

Affiliation Agreement with Loma Linda University

On July 1, 1980, articles of incorporation were filed separately incorporating the Corporation as a nonprofit religious corporation. On August 24, 1980, the constituency of Loma Linda University approved the Corporation's separate incorporation and authorized the Loma Linda University Board of Trustees to carry out the details of the separation, including an affiliation agreement, appropriate leases and the division of assets and liabilities. Loma Linda University agreed to transfer the Medical Center's hospital building, equipment, machinery and furnishings to the Corporation and to lease approximately 25 acres of land on which the Medical Center is located (the "Leased Land") to the Corporation.

On August 26, 1980, the Corporation entered into an affiliation agreement with Loma Linda University (the "Affiliation Agreement"), which sets forth the relationship between the Corporation and Loma Linda University and addressed various issues arising in the transition from the Corporation being part of Loma Linda University to its organization as a separate corporation. The Affiliation Agreement has little operating significance at this time, although the Joint Affiliation Committee created by the Affiliation Agreement (consisting of three members appointed by the Corporation, three members appointed by Loma Linda University and one member appointed by the medical staff of the Medical Center) remains available as a forum for resolving disputes, if any, which might arise between the institutions regarding (1) joint access to parking lots, cafeterias and other common facilities, (2) division and/or reimbursement of costs of the Corporation's operations which are attributable solely to Loma Linda University's School of Medicine and are not reimbursed from other sources, (3) payments to common employees and (4) other issues.

On July 1, 1990, the Corporation entered into an agreement with Loma Linda University to provide certain services, including personnel, payroll, mail service, maintenance, security and construction. Effective January 1, 2004, LLUAHSC agreed to provide certain of these services, including human resources management, payroll, security, telecommunications, construction, dispatch, mail services, grants management and support services. As part of the transfer of responsibilities to LLUAHSC, approximately $3.7 million of the Corporation's property, equipment and leasehold improvements associated with these shared services were transferred to LLUAHSC.

Related Party Transactions

In 2004, net asset transfers to affiliated corporations (none of which are Members of the Obligated Group) from the Corporation consisted of approximately $16.7 million. As previously noted, certain shared services were transferred to LLUAHSC effective January 1, 2004. In conjunction with this service shift, the Corporation provided funding to LLUAHSC of approximately $3.3 million to mitigate the increase in cost sharing for affiliated corporations. Such support is expected to phase out over the next 3 years. Transfers to Loma Linda University consisted of a one-time funding of $4 million to support a new construction project. A transfer of $1 million was made to LLU Behavioral Medicine at the Corporation's discretion to assist LLU Behavioral Medicine in reducing debt due to the Corporation incurred for start-up costs. Transfers to LLU Health Care in 2004 of approximately $7.9 million were made in support of LLUAHSC's medical foundation. Although not required, Corporation management expects that transfers approximating such amount will continue to be made to LLU Health Care for the foreseeable future. The Corporation is one of two corporate members of the Social Action Community Health System clinic ("SAC Health System"). The Corporation transferred approximately $543,000 in 2004 in support of SAC Health System's operations.

Following is a summary of transactions occurring between LLUMC and various affiliated organizations for the years ended December 31, 2002, 2003 and 2004:

Revenue. Revenue received by the Corporation from related parties consists of various service-related items, including pharmacy, clinical services, audio/visual services, cafeteria and rent (in thousands).

	2002	2003	2004
Loma Linda University	$3,009	$3,287	$2,338
LLUAHSC	876	746	710
Related faculty medical groups	1,322	1,113	981
	$5,207	$5,146	$4,029

Expenses. Expenses paid to Loma Linda University consist primarily of utilities and rent. Expenses paid to LLUAHSC are primarily comprised of management fees, legal fees, interest and a variety of shared services and include payments for the Corporation's self-insured employee health, dental and workers' compensation programs. Expenses paid to related faculty medical groups include medical director fees, resident director fees and fees paid to service chiefs (in thousands).

	2002	2003	2004
Loma Linda University	$16,149	$15,572	$20,446
LLUAHSC	28,589	27,021	30,356
Related faculty medical groups	8,007	10,975	11,254
	$52,745	$53,568	$62,056

Other Affiliations

Residency Program. In connection with its residency program, the Corporation has entered into affiliation agreements with the Jerry L. Pettis Veterans Hospital, Loma Linda, California; the Riverside County Regional Medical Center, Moreno Valley, California; Arrowhead Regional Medical Center, Colton, California; Kaiser Foundation Hospital, Fontana, California; and Patton State Hospital, San Bernardino, California. These affiliation agreements provide that members of the house staff of the Corporation may be assigned to affiliated institutions on a rotating basis and receive clinical experience and training at such institutions.

Training Programs. The Corporation has entered into agreements with certain other institutions under which the Corporation provides clinical experience for their students. These include agreements with United Health Careers of San Bernardino, California; Victor Valley College; Johns Hopkins University; Wicks Education Association; UCLA Enterostomal Therapy Programs; Barry University; Western University; Azusa Pacific University; Springfield University; Laverne University; Domingo Hills; University of Phoenix; Creighton University School of Pharmacy & Allied Health; University of Alberta; and University of the Pacific.

FACILITIES

The Corporation's facilities, all located in Loma Linda, California, include (1) the Medical Center's hospital building, machinery, furnishings and equipment, (2) the Leased Land and (3) the Owned Land (detailed below), including the improvements, machinery, furnishings and equipment on it. As of June 30, 2005, the Corporation's Medical Center was licensed to operate 789 beds in the following categories:

Licensed Beds and Beds in Operation

Types of Services	Licensed Beds	Beds in Operation
Medical/Surgical	340	275
Pediatrics	111	81
Intensive Care	205	195
Rehabilitation Center	26	26
Perinatal	35	23
NICU	72	72
	789	672

Hospital Building

The main hospital building, which was constructed from 1964 to 1967, is an 11-story steel and reinforced concrete building designed in a cloverleaf formation with a central "stem" to which are attached three seven-story cylindrical towers. The main building contains approximately 523,000 square feet. The Medical Center's heliports are located on the roof of the main building. Attached to the main building is the four-story research wing, which contains approximately 93,000 additional square feet with 46 laboratory areas; it is leased to Loma Linda University. See "Lease of Research Wing to Loma Linda University" below.

Inpatient rooms are located in the three cylindrical towers. Generally, each patient area includes two three-bed wards and 10 semiprivate rooms clustered around a central nursing station. The hospital building contains an emergency suite, including a 4-bed observation area, 4 emergency surgery rooms, a 2-bed cardiac room, a 6-bed trauma area, a 12-bed medicine area, a 12-bed pediatric medicine services area and 6 lower acuity "fast-track" beds.

The surgical suites consist of 16 operating rooms with an additional 3 operating rooms located in the delivery suite. The surgical suites also include 4 cardiovascular catheterization labs.

Contiguous to the hospital building is the Children's Hospital, which opened in 1993. This five-story facility contains approximately 387,000 square feet and includes 270 beds, 72 of which are in one of the world's largest newborn intensive care units. The facility also features a pediatric intensive care unit, a pediatric hematology/oncology unit, a separate cafeteria, acute care pediatric units, a pediatric rehabilitation unit, a children's heart center, a pre-admission testing/observation/special procedures area, family waiting rooms, a volunteer area, gift shop and a chapel.

Additional inpatient services are offered at the Corporation's East Campus facility located approximately 1 mile from the main hospital facility. The East Campus facility, which opened in 1972, is approximately 81,000 square feet and includes 118 licensed beds including 8 intensive care beds, an urgent care facility and 5 operating room suites.

The Corporation's Proton Beam Treatment facility is located within the main hospital building. This radiation treatment and clinical research facility features a 250-million-electron-volt synchrotron accelerator with a transport beam line feeding variable proton beam energies to movable gantries in three treatment rooms and a stationary beam treatment room with two branches. By the end of 2004, over 9,700 patients had been treated by these precise proton radiation treatments designed to eradicate cancers of various forms.

Owned Land

The Corporation's Owned Land consists of the sites referred to as the East Campus, the Faculty Medical Office Building, and an approximately eight-acre site upon which is situated a facility which houses an outpatient rehabilitation unit, commonly referred to as the "Outpatient Rehab Center."

Leased Land

The Leased Land includes approximately 25 acres on which the hospital building and certain other improvements, including paved parking areas, are located.

Pursuant to a Ground Lease dated as of July 1, 1980, Loma Linda University leased the Leased Land to the Corporation for a term of 50 years. On February 18, 1982, Loma Linda University conveyed its interest in the Leased Land to the General Conference of Seventh-day Adventists. On December 31, 2003, the General Conference of Seventh-day Adventists conveyed its interest in the Leased Land to LLUAHSC.

Rent. The basic rent for the first year of the Ground Lease was $680,000, payable in equal monthly installments which commenced July 1, 1980. The annual rent is adjusted annually to reflect changes in the Consumer Price Index and was approximately $1,530,000 in 2003 and $1,675,000 in 2004. In addition, the Corporation is obligated to pay all costs and expenses associated with the operation and maintenance of the Medical Center's facilities (except for maintenance of the grounds, which is the responsibility of Loma Linda University). Included within the Corporation's costs and expenses are taxes and assessments and all other charges levied or assessed against the Leased Land.

Title to the Property. The Ground Lease provides that title to the Leased Land will at all times remain in the Ground Lease Lessor. During the term of the Ground Lease, the buildings on the Leased Land will be owned by the Corporation; upon the expiration of the Ground Lease, the buildings shall become the property of the Lessor. The personal property is at all times to be owned by the Corporation.

Principal Use. The Corporation is to use and permit the use of the Leased Land primarily for the operation of a teaching hospital, including related facilities such as classrooms, laboratories, research facilities, medical offices and other facilities reasonably necessary to maintain a tertiary health care center. Any other or different use requires the prior written consent of the Lessor.

Right To Encumber Leasehold Interests. The Corporation has the right, at any time during the term of the Ground Lease, to encumber its leasehold estate in the Leased Land to secure the Obligations, and the Ground Lease Lessor has agreed that, so long as any Obligations are outstanding, it will not terminate the Ground Lease prior to June 30, 2030. The Ground Lease Lessor will, however, continue to own the underlying fee interest in the Leased Land and is not obligated to subordinate such interest. The Ground Lease Lessor has agreed that it will not, during the term of the Ground Lease, create any lien, encumbrance or charge upon the Medical Center's facilities.

Lease of Research Wing to Loma Linda University

The Corporation has leased the research wing of the hospital building to Loma Linda University on a year-to-year basis. The lease states that the Corporation will provide utilities, repairs, maintenance, housekeeping and security for the research wing, and Loma Linda University will pay rent to the Corporation. For the years ending December 31, 2002, 2003 and 2004, Loma Linda University paid rent in the annual amounts of approximately $1,506,000, $1,530,000, and $1,546,000, respectively.

CURRENT PROJECTS

Earthquake Retrofit. California law, known as Senate Bill 1953 ("SB 1953"), requires all acute-care hospitals to be upgraded to new stricter seismic standards by the following deadlines: by 2008, all general acute-care inpatient buildings at risk of collapsing during a strong earthquake must be rebuilt, retrofitted or closed; and by 2030, all hospital buildings must be operational following a major earthquake. Five-year extensions of the first

deadline to 2013 are available if certain criteria are met. In May 2005, the California Senate passed a new bill, SB 167, which, if approved by the California Assembly, would change the seismic safety requirements for acute hospitals by eliminating the 2008 basic seismic safety requirements provided that they meet all seismic requirements by 2020, instead of the current deadline of 2030. The Corporation is currently engaged in a retrofit of its facilities to ensure compliance with these standards. However, the Corporation has filed and is awaiting approval for a five-year extension until 2013 to meet the SB 1953 standards if SB 167 is not passed into law.

Retrofit of the research wing of the Medical Center has been completed and construction on the main hospital building is currently under way. The estimate for the total cost of completing the seismic evaluation and retrofitting the Medical Center is approximately $134 million, of which approximately $19.1 million has already been expended through June 30, 2005. The Corporation has received a $36 million grant from the federal government to fund the initial phase of the retrofit project. Experimental laser technology is being used for the retrofit which permits the Corporation to continue operations during the project. If the Corporation is not able to complete the retrofit by the date set forth in SB 1953, there could be a material adverse effect on the operations of the Corporation. Management anticipates this project will be funded by proceeds from the Bonds in the approximate amount of $1.7 million, additional federal and state grants, and cash generated from the Corporation's operations.

Total Care Birth Center Expansion. The Corporation is currently engaged in the build-out of approximately 19,000 square feet of space at the Medical Center which was shelled-in during construction completed in 1993. The build-out of this space will accommodate a new birthing center and added neonatal intensive care beds. At completion, this unit will have 34 licensed adult beds and 11 neonatal intensive care beds. This project will enable the Corporation to enhance access to these highly utilized and profitable services. The total cost of this project is estimated to be $10 million and will be funded through a combination of proceeds from the Bonds in the approximate amount of $8 million and from cash generated from the Corporation's operations.

Perinatology Institute. In support of the Medical Center's women's and children's services, the Corporation is developing a 4,000 square foot hospital-based clinic specializing in high risk pregnancies. The total cost of the project is estimated at $1.4 million. This project will provide additional support for profitable service lines and will be funded through approximately $1 million of proceeds from the Bonds and cash generated from the Corporation's operations.

Unit Realignment. Over the past two decades, certain licensed bed areas have been taken out of service to accommodate needs such as outpatient space and storage. The Corporation is moving forward with a plan to bring back into service approximately 20 licensed beds through development of additional storage space and the movement of non-direct inpatient care services from nursing units to other areas of the hospital. The total cost of this project is estimated to be $2.5 million. This project is designed to provide additional capacity for profitable services and will be funded through approximately $1.5 million of proceeds from the Bonds and cash generated from the Corporation's operations.

SERVICES

The Corporation operates a health delivery system that is focused around the main Loma Linda University Hospital, the Children's Hospital and the East Campus Hospital, and is structured to meet the needs of the community it services.

The Corporation promotes several primary areas of expertise, including the Children's Hospital, and certain Institutes which combine diagnostic, treatment and research functions to serve the Corporation's patient population.

- *Loma Linda University Children's Hospital* contains 244 licensed beds and provides specialty services for children in the Medical Center's four-county service area. Services include a 72-bed Level 3 neonatal intensive care unit offering extracorporeal membrane oxygenation and specialty care for infant heart transplant patients. The Children's Hospital also provides acute care and pediatric intensive care services as well as specialty services such as cancer care, cardiac services, orthopedic and neurosurgery in concert with the Institutes described below.

- *The Loma Linda University Cancer Institute* provides oncology diagnosis and treatment utilizing the latest techniques ranging from chemotherapy to conventional radiation treatment, Intensity-Modulated Radiation Therapy ("IMRT") and treatment in the renowned Proton Treatment Center (described below). The Corporation also sponsors clinical trials in conjunction with faculty physicians and LLU Health Care to ensure that the latest treatment modalities are available to its patients.

- *The International Heart Institute* pioneered infant heart transplantation and is also known for positive outcomes for adult cardiac patients. The International Heart Institute has been listed as one of the top cardiac care centers in the United States by *U.S. News and World Report* and provides the latest treatment options.

- *The Proton Treatment Center* treated its first patient in 1992 and was the first hospital-based treatment center for proton particle treatment in the world. Specializing in the treatment of cancer, proton treatments provide the highest level of energy to the affected areas while sparing the surrounding tissue from the extensive damage caused by conventional treatment, IMRT or Gamma Knife technology. Even though several new treatment centers have subsequently opened in the Midwest, on the East Coast, in Asia and Europe, the Proton Treatment Center remains the predominant site for treatment in the world.

- *The Rehabilitation, Orthopedic and Neurosciences Institute* is primarily located on the East Campus and offers specialized services in conjunction with outpatient rehabilitation treatment. The innovative care involves treatment in a healing environment which includes gardens, trees and a nearby special use park.

- *The Loma Linda University Transplant Institute* was opened in 1992 to further develop the transplantation programs that begun at the Medical Center in 1967. The Corporation currently performs adult, pediatric and infant heart transplantation, adult and pediatric kidney transplantation, adult and pediatric liver transplantation, adult pancreas transplantation, and adult and pediatric autologous and allogeneic stem cell transplantation. The Loma Linda University Transplant Institute is nationally recognized by the United Network for Organ Sharing, *The American Journal of Transplantation*, and through extensive media coverage, and provides comprehensive medical care from initial referral and evaluation through transplantation and recovery. The Transplant Institute is committed to provide excellence in care, education and research in a multicultural and multidisciplinary environment with special sensitivity to the individual needs of patients.

- The Corporation operates the only *Level 1 trauma center* in the San Bernardino, Riverside, Inyo and Mono County regions, an area extending to the Nevada and Arizona borders on the East and to Los Angeles and Orange Counties on the West, with a population in excess of 4 million. Several emergency department physicians on staff have been nationally recognized for provision of adult and children's services.

Following is a list of services by major category provided by the Corporation as of June 30, 2005.

Internal Medicine: Allergy, Cardiology, Dermatology, Endocrinology, Gastroenterology, Nephrology, Neurology, Oncology and Hematology, Physical Medicine and Rehabilitation, Pulmonary Medicine and Rheumatology.

Surgical Services: Dental, Podiatry, Urological, Otolaryngological, Plastic (reconstruction), Outpatient Surgery, Gynecology, Kidney Transplant, Heart Transplant, Liver Transplant, Stem Cell, Open Heart,

Cardiothoracic, Heart Catheterization, Cystoscopy, Neurology, Ophthalmology, Orthopedic, as well as the use of the da Vinci surgical robot system.

Intensive Care: Coronary, Isolation, Communicable Disease, Protective, Medical, Newborn, Pediatric, Pulmonary, Surgical, Cardiothoracic and Neurosurgical.

Nursery Care: Mentally impaired, Newborn, Premature and Neonatal.

Home Care: Physical Therapy, Occupational Therapy, Speech Pathology, Medical Social Services and Home Health Aid Services.

Acute Care: Geriatric, Medical, Neonatal, Pediatric, Psychiatric, Surgical, Ophthalmology, Drug Abuse and Alcoholism, Dentistry, Handicapped and Mentally Impaired, Rheumatology, Infectious Disease, Obstetrics and Gynecology and Post-partum.

Ancillary Services: Nuclear Medicine and Radiation Therapy, Labor and Delivery, Anesthesia, Laboratory, Digital Diagnostic x-ray, X-ray Therapy, Radium Therapy, Proton Therapy, Mammography, Computerized Therapy Planning, Linear Acceleration, Cardiovascular and Angiographic Laboratories, Children's Team Clinics, Diagnostic Ultrasound, Neuroaudiology, Radioisotope, Computerized Tomography (head and full body), Magnetic Resonance Imaging, Positron Emission Tomography Imaging, Electrocardiography, Electroencephalography, Hemodialysis, Physical therapy, Occupational Therapy, Pharmacy, Renal Dialysis, Cardiac Diagnostic Laboratory, Clinical Laboratory, Electromyography, Echoencephalography, Maxillofacial Prosthetics, Neurodiagnostic Laboratory, Pathology, Pulmonary Function Laboratory, Radioimmunoassay, Hand Rehabilitation Center, Orthotics and Prosthetics, Speech Therapy, Diabetic Training Classes, Genetic Counseling and Chromosome Laboratory, Urology and Pediatric Oncology, Hyperbaric Oxygenization and Wound Care.

Emergency Services: Emergency Room, Air Ambulance/Heliport, Trauma Treatment, Emergency Communications System (base station), Emergency Observation Service, Mobile Cardiac Care Service, Orthopedic Emergency Service, Psychiatric Emergency Service, and Radioisotope Decontamination.

MEDICAL STAFF AND RESIDENTS

General

Appointment to the medical staff of the Corporation (the "Medical Staff") is open to physicians, dentists and podiatrists who are licensed to practice in the State of California and can document, to the satisfaction of the Board, their background, experience, training and current competence, adherence to the ethics of their profession, their ability to work with others, and that their health status is good enough to permit them to practice the privileges requested. The Board, upon recommendation of the Medical Staff Executive Committee, makes appointments to the Medical Staff and approves clinical privileges. Initial appointments are for a period of no more than two years. Reappointments are made to the applicant's next state license renewal date, but not to exceed two years. The Medical Staff is divided into the following categories: Active, Provisional, Courtesy, Consulting, Administrative, Affiliate and Honorary.

As of July 1, 2005, there were 1,827 members of the Medical Staff (excluding 26 applications in process) including the following categories: 588 Active, 3 Consulting, 55 Courtesy, 80 Provisional, 2 on leaves of absence and 103 Honorary. There were also 39 allied health professionals on the Medical Staff as of July 1, 2005.

Board Certification

Certification by a medical specialty board is evidence that a physician has participated in programs of graduate medical education based on high academic standards, has acquired competence in a medical specialty and has demonstrated proficiency by passing national examinations for that specialty. As of July 1, 2005, 88% of the members of the Medical Center's Active, Provisional and Associate Medical Staff were board certified.

Leading Admitters

The table below lists the top ten admitting physicians by specialty, age and number of discharges for the year ended December 31, 2004. These top ten admitters accounted for approximately 15% of the total discharges at the Medical Center for 2004.

Specialty	Age	Discharges in 2004
Trauma Surgery	53	393
Neurosurgery	49	416
Orthopedic Surgery	48	462
Internal Medicine	35	421
Cardiology	58	329
Internal Medicine	33	346
Internal Medicine	33	367
OB/GYN	57	474
OB/GYN	50	325
OB/GYN	34	366
Pediatrics	54	342
OB/GYN	41	359

Specialties

Following are the specialties of the members of the Medical Center's Medical Staff. All information is as of July 1, 2005.

Medical Staff By Specialty

Specialty	Inactive	Total
Anesthesiology	38	91
Emergency medicine	48	100
Family medicine	76	126
Hospital dentistry	65	101
Internal medicine	158	348
Neurology	1	13
Obstetrics/gynecology	59	97
Ophthalmology	19	54
Orthopedics	75	113
Pathology	16	49
Pediatrics	86	210
Physical medicine	10	26
Preventive medicine	1	10
Psychiatry	28	54
Radiology	108	151
Radiation medicine	17	32
Surgery	152	278
Total	957	1853

Residents

The Corporation had 613 physicians in 52 residency and fellowship programs as of July 1, 2005. The training program for residents is under the general direction of the Committee on Graduate Medical Education of the Corporation.

Faculty Practice Groups

Academic departments and/or divisions of Loma Linda University's School of Medicine are authorized by Loma Linda University's Board of Trustees to form faculty practice groups (also known as private practice organizations). Organized as corporations, each faculty practice group carries out the respective department's or division's private practice and associated business functions. The chairman of the academic department or division is appointed by the School of Medicine and approved by the Corporation. The president of the department's or division's faculty practice group is elected by the respective faculty practice group. There are currently 9 faculty practice groups, all of which are organized as nonprofit corporations and have received determination letters that they are exempt from taxation under Section 501(c)(3) of the Code. It is possible that some of these faculty practice groups will consolidate in the future.

Of the active members of the Corporation's medical staff, approximately 75% are employed through the Loma Linda University School of Medicine corporations or related faculty practice groups. These physicians provided approximately 62% of the total admissions to the Corporation's facilities in 2004, compared to community-based physicians who provided approximately 4% of the admissions to the Corporation's facilities in 2004. The remaining 34% of admissions to the Corporation's facilities were through the Medical Center's emergency department and transfers from other hospitals.

LLU Health Care

LLU Health Care is a management service organization for the faculty practice groups. The services provided by LLU Health Care were previously provided by Loma Linda Faculty Medical Group. LLU Health Care's main activity is to carry out central management, business and financial functions for the faculty practice groups. LLU Health Care also leases the Faculty Medical Office Building from the Corporation and subleases space to various entities, including the faculty practice groups. The Faculty Medical Office Building is comprised of approximately 17 private practice offices and an outpatient surgical center and is located adjacent to the Medical Center. Pursuant to the Deed of Trust, the Corporation will grant a security interest in the rents, issues and profits from the Faculty Medical Office Building to secure Obligations issued under the Master Indenture, including Obligation No. 2.

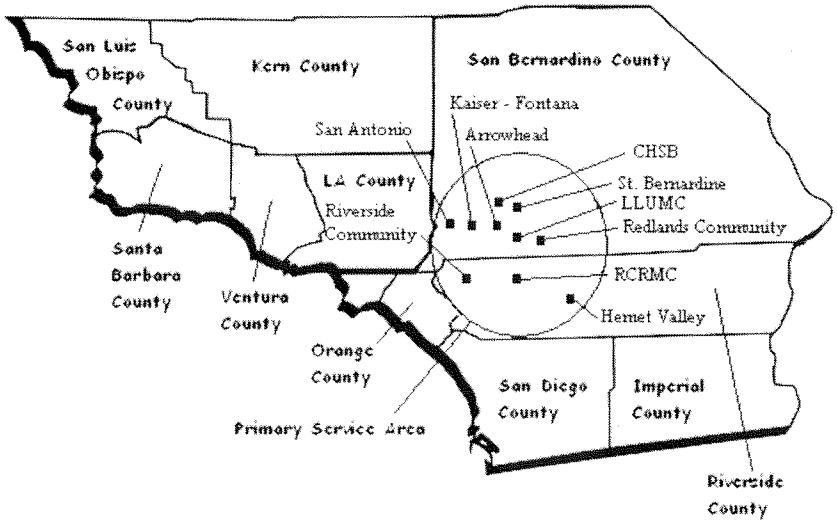
SERVICE AREA AND COMPETITION

The Corporation considers the Medical Center's primary service area (e.g., those zip codes from which the Corporation derives 80% or more of its patients) to be the Southern California Inland Empire, an area with a radius of approximately 30 miles surrounding the Medical Center located in the two counties of San Bernardino and Riverside. Including the Medical Center, there are approximately 30 general acute care hospital facilities, plus a Veteran's Administration hospital facility, located in the two counties of San Bernardino and Riverside. Following is market share data for the top 9 competitive facilities and market share for the Medical Center's primary service area.

	2002	2003	2004
Loma Linda University Medical Center	13.0%	13.1%	13.0%
Arrowhead Regional Medical Center	7.6	7.4	7.9
Kaiser – Fontana	6.6	6.8	6.6
Hemet Valley Medical Center	6.8	6.1	6.4
Riverside County Regional Medical Center	6.1	6.3	5.9
Riverside Community Hospital	6.4	6.0	5.7
Community Hospital of San Bernardino	4.9	5.4	5.3
St. Bernardine Medical Center	4.6	4.8	5.0
San Antonio Community Hospital	4.5	4.6	4.1
Redlands Community Hospital	3.4	3.4	3.7
All Others	36.1	36.1	36.4
Total	100.0%	100.0%	100.0%

Based on OSHPD data 2004.

Map of Southern California



The following table details location information for certain key competitors of the Medical Center:

Hospital	Location (City)	Distance from the Medical Center Campus	Licensed Beds
Primary Service Area			
Arrowhead Regional Medical Center	Colton	6 miles	373
Riverside County Regional Medical Center	Moreno Valley	16 miles	439
St. Bernardine Medical Center	San Bernardino	7 miles	463
Redlands Community Hospital	Redlands	4 miles	172
Community Hospital of San Bernardino	San Bernardino	9 miles	321
Kaiser-Fontana	Fontana	12 miles	424
Regional Competitors			
Eisenhower Medical Center	Rancho Mirage	61 miles	253
Desert Regional Medical Center	Palm Springs	49 miles	394
John F. Kennedy Memorial Hospital	Indio	71 miles	162

* Based on OSHPD data 2004.

The Corporation has embarked on a strategic plan to ensure that it is able to continue its market dominating position during this time of continued growth in Southern California's Inland Empire. The Corporation is currently engaged in an aggressive 5-year advertising campaign to further enhance its image as the Southern California Inland Empire's healthcare leader as well as to focus on increased market share. To manage the additional volume, the Corporation is diligently working to streamline its scheduling and registration processes while improving access through expansion of available bed capacity by approximately 79 beds over the next 2 years.

Other Area Competition

A group of community physicians is planning to construct a 28-bed limited service hospital on 6 acres of land approximately 2 miles east of the Medical Center within the City of Loma Linda. The physicians are backed by a health care developer who has indicated that the proposed hospital expects to provide low acuity surgical services specializing in cardiac and orthopedic services. The developer has received approval from the California Office of Statewide Health Planning and Development.

The construction of the specialty hospital received planning approval from the City of Loma Linda on September 6, 2005. The approval of the proposed specialty hospital by the City was vigorously opposed by a coalition of local nonprofit acute care hospitals, including the Corporation. The hospitals expressed concern that the specialty hospital would treat only privately-insured patients in a limited range of profitable services, while leaving unprofitable services to be provided by the local nonprofit acute care hospitals. A study prepared by an independent consultant at the request of these hospitals indicated that 30.7% of the net income of the local nonprofit acute care hospitals was derived from privately-insured non-emergency cardiac procedures of the type proposed to be performed at the specialty hospital, and that all of these cases could be performed at the specialty hospital. The consultant also indicated that loss of these cases could affect the viability of one or more of the hospitals (other than the Medical Center), and that the closure of any of the hospitals could result in a "domino effect" of even additional uninsured patients being treated at the remaining nonprofit hospitals. In the opinion of management of the Corporation, the specialty hospital could have a material adverse effect on the financial condition of the Corporation. See "MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS – Recent Developments."

Demographics

The population of the Inland Empire of Southern California, which consists of portions of San Bernardino and Riverside Counties, is estimated to be approximately 1,800,000 people. San Bernardino and Riverside Counties are two of the fastest growing areas in the United States. According to State of California, California Department of Finance, Demographic Research Unit, Interim County Population Projections File data, over the next 10 years, the Inland Empire projects an overall resident population increase of 28% (San Bernardino) and 37% (Riverside).

1990, 2000 and 2004 Census Data

	Total Population		
Selected Cities with Population > 50,000	**1990**	**2000**	**2004**
Colton	40,213	47,662	51,382
Corona	76,095	124,966	145,398
Fontana	87,535	128,929	158,715
Hemet	36,094	58,812	66,563
Indio	36,793	49,116	63,326
Murrieta	—	44,282	74,513
Ontario	133,179	158,007	170,057
Rancho Cucamonga	101,409	127,743	159,346
Redlands	60,394	63,591	69,682
Rialto	72,388	91,873	99,659
Riverside	226,505	255,166	288,384
San Bernardino	164,164	185,401	198,406
Temecula	27,099	57,716	82,083
Upland	63,374	68,393	73,526
Victorville	40,674	64,029	82,790
Totals	1,165,916	1,525,686	1,783,830

Source: US Census Bureau

	Total Population		
County	**1990**	**2000**	**2004**
Riverside County	1,170,413	1,545,387	1,871,950
San Bernardino County	1,418,380	1,709,434	1,921,131
Totals	2,588,793	3,254,821	3,793,081

Source: US Census Bureau

SUMMARY OPERATING AND FINANCIAL INFORMATION

Utilization

The table below summarizes utilization at the Medical Center for the five fiscal years ended December 31, 2004, and for the six-month periods ended June 30, 2004 and June 30, 2005.

Utilization

	Year Ended December 31,					Six Months Ended June 30,	
	2000	2001	2002*	2003	2004	2004	2005
Licensed beds	789	789	789	789	789	789	789
Discharges	31,367	30,384	30,454	31,198	30,434	15,186	15,548
Births	2,938	2,581	2,476	2,544	2,536	1,173	1,381
Patient days	177,102	175,323	179,466	187,638	189,224	94,727	98,899
Occupancy %	73.5%	70.7%	72.4%	75.6%	77.1%	77.4%	81.8%
Average daily census	485	480	492	514	518	526	549
Average length of stay	5.6	5.8	5.9	6.0	6.2	6.2	6.4
Inpatient surgical procedures	10,930	11,798	11,208	9,758	11,077	5,496	5,440
Outpatient surgical procedures	10,119	10,012	9,944	10,412	11,263	5,748	5,873
Emergency department visits	78,242	67,217	65,271	65,509	60,970	28,109	29,298
Urgent care visits	—	—	7,357	24,135	23,791	12,246	12,677

* The Corporation transitioned its East Campus Hospital Emergency Department to a high acuity Urgent Care Center in 2002, thereby reducing the number of overall emergency department visits but increasing overall Emergent and Urgent Care visits combined.

Sources of Revenue

Payments on behalf of certain patients are made to the Corporation by the federal government under the Medicare program, by the State of California and the federal government under the Medicaid program (known in California as Medi-Cal), by managed care providers, commercial insurance carriers and others.

The following table sets forth the payor mix, based on gross patient revenues, of the Corporation for the five fiscal years ended December 31, 2004, and for the six-month periods ended June 30, 2004 and June 30, 2005.

Payor Mix

	Year Ended December 31,					Six Months Ended June 30,	
Source	2000	2001	2002	2003	2004	2004	2005
Medicare	17.1%	22.7%	22.4%	22.4%	21.2%	21.1%	20.5%
Medicare HMO	11.7	6.5	4.2	3.6	3.4	3.4	3.5
Medicare subtotal	28.8	29.2	26.6	26.0	24.6	24.5	24.0
Medi-Cal	26.5	26.1	27.6	29.1	29.2	29.6	30.2
Medi-Cal HMO	3.2	4.7	5.2	5.9	6.4	6.6	5.3
Medi-Cal subtotal	29.7	30.8	32.8	35.0	35.6	36.2	35.5
Managed Care	38.5	36.3	36.5	33.9	34.7	34.1	34.5
Other	3.0	3.7	4.1	5.1	5.1	5.2	6.0
Total	100.0%	100%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Corporation records.

The Corporation has approximately 50 managed care contracts that include commercial HMO, Medicare HMO, Medi-Cal HMO, PPO and EPO contracts. The five largest commercial HMOs are: Blue Cross, Blue Shield, Inland Empire Health Plan, PacifiCare and Healthnet. These five payors generate approximately 65% of the Corporation's managed care HMO/PPO business. The Corporation has had no capitation contracts with either government or private payors since 2000.

Capitalization

The capitalization of the Corporation as of December 31, 2004, and the pro forma capitalization of the Corporation as of December 31, 2004, as adjusted to give effect to the issuance of the Bonds and the defeasance and/or refunding of the indebtedness described in the front portion of this Official Statement under the caption "Financing Plan," is set forth in the following table.

Capitalization
(in thousands)

	Year Ended December 31, 2004	Pro Forma Year Ended December 31, 2004
Long-term Debt:		
Capital leases and other	$ 38,231	$ 38,231
Series 1992A bonds	10,640	—
Series 1993A, B, C & D bonds	148,100	—
Series 1999 bonds	78,440	78,440
Series 2005 bonds	—	142,460*
Total long-term debt	$275,411	$259,131
Less current maturities	(17,312)	(17,312)
Net long-term debt	258,099	241,819
Net Assets:		
Unrestricted	244,898	244,898
Temporarily restricted	23,645	23,645
Total net assets	268,543	268,543
Total capitalization	$ 526,642	$510,362
Net Long-term Debt as a Ratio to Total Capitalization	49%	47%

* Preliminary, subject to change.

Debt Service Coverage

The table set forth below shows the historical coverage of maximum annual debt service for the fiscal year ended December 31, 2004 and the historical coverage of pro forma maximum annual debt service, as if the Bonds had been issued January 1, 2004.

Debt Service Coverage Ratio
(in thousands)

	Year Ended December 31, 2004	Pro forma Year Ended December 31, 2004
Excess of revenue over expenses	$ 48,962	$ 48,962
Depreciation and interest expense	39,433	39,433
Net revenue available for debt service	88,395	88,395
Maximum annual debt service	$ 32,331	26,530*
Maximum annual debt service coverage ratio	2.73x	3.33x*

Source: Corporation Records.
*Preliminary, subject to change.

Days Cash on Hand

The following table shows the Corporation's calculation for Days Cash on Hand (in thousands) as defined in the Master Indenture.

	As of December 31,			June 30,	
	2002	2003	2004	2004	2005
Cash, cash equivalents and short-term investments	$ 95,372	$ 128,729	$ 141,974	$148,173	$ 162,293
Trustee-held funds	(2,205)	(2,157)	(2,066)	(7,811)	(7,568)
Total unrestricted cash, cash equivalents and short-term investments	93,167	126,572	139,908	140,362	154,725
Operating expenses, less depreciation	568,356	606,381	652,050	635,494*	708,000*
Expenses per day	1,557	1,661	1,786	1,741	1,940
Days Cash on Hand	60	76	78	81	80

* Annualized

Financial Statements of the Corporation

The following Summary Statement of Operations of the Corporation for the three years ended December 31, 2002, 2003, and 2004 and Summary Balance Sheet as of December 31, 2002, 2003 and 2004, were derived from the audited financial statements of the Corporation. Appendix B to this Official Statement sets forth the audited balance sheets of the Corporation as of December 31, 2003 and 2004 and the related statements of operations, changes in net assets, and cash flows for the years then ended, together with the reports of Ernst & Young LLP, independent auditors. The unaudited Summary Statement of Operations for the six-month periods ended June 30, 2004 and 2005 reflect, in the opinion of management of the Corporation, all adjustments (including

normal recurring adjustments) necessary to summarize fairly the results for such periods. The results for the six-month period ended June 30, 2005 should not be considered to be indicative of the results for the full fiscal year ending December 31, 2005.

Summary Statement of Operations of the Corporation
(in thousands)

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
Operating revenue:					
Net patient service revenue	$ 587,442	$ 614,893	$ 674,060	$ 324,678	$ 364,493
Premium revenue	3,455	1,701	1,097	777	—
Other revenue	28,470	34,794	41,576	19,400	19,316
Net assets released from restrictions used for operations	2,098	1,837	5,188	1,345	3,586
Total revenue	$ 621,465	$ 653,225	$ 721,921	$ 346,200	$ 387,395
Operating expenses:					
Employee compensation	330,146	365,330	366,876	178,431	194,123
Professional fees	13,124	19,277	28,111	13,810	16,168
Supplies	110,220	121,627	130,575	63,268	66,432
Outside provider costs	1,005	857	(1,728)	587	—
Other expenses	85,333	74,884	95,790	48,692	52,630
Provision for doubtful accounts	17,937	12,413	22,246	8,156	19,868
Interest	10,591	11,993	10,180	4,803	4,779
Depreciation and amortization	35,712	34,294	29,253	15,009	13,785
Total expenses	$ 604,068	$ 640,675	$ 681,303	$ 332,756	$ 367,785
Operating income	17,397	12,550	40,618	13,444	19,610
Loss realized on investment in Phycor marketable securities	(17,239)	—	—	—	—
Investment income	3,903	4,988	8,344	2,394	2,438
Excess of revenue over expenses	4,061	17,538	48,962	15,838	22,048
Change in net unrealized gains and losses on investments	12,726	4,207	317	366	420
Transfers to affiliates	(5,025)	(4,600)	(16,698)	(5,196)	(5,370)
Increase in unrestricted net assets	$ 11,762	$ 17,145	$ 32,581	$ 11,008	$ 17,098

Summary Balance Sheet of the Corporation
(in thousands)

	December 31,			June 30,	
	2002	2003	2004	2004	2005
Assets					
Current assets:					
Cash, cash equivalents and short-term investments	$ 95,372	$ 128,729	$ 141,974	$ 148,173	$ 162,293
Patient accounts receivable, net	86,275	93,630	92,974	82,169	91,970
Receivables from third-parties for contractual settlements	25,326	25,775	22,394	17,316	12,745
Prepaid expenses, supplies and other	11,354	9,409	25,915	8,528	24,621
Other receivables	28,890	11,284	17,314	27,633	14,683
Land held for sale	1,322	1,322	—	—	—
Total current assets	$ 248,539	$ 270,149	$ 300,571	$ 283,819	$ 306,312
Assets whose use is limited, held by bond trustee, net of current portion	25,030	24,753	25,416	24,753	24,270
Rental property	37,063	36,354	35,645	37,656	35,947
Deferred financing costs, net	7,719	7,254	6,789	7,116	6,619
Other long-term assets	4,882	4,927	5,097	3,004	3,324
Total other assets	74,694	73,288	72,947	72,529	70,160
Property, plant and equipment	272,211	269,297	277,965	269,342	280,506
Total assets	$ 595,444	$ 612,734	$ 651,483	$ 625,690	$ 656,978
Liabilities and net assets					
Current liabilities:					
Accounts payable	$ 35,118	$ 46,447	$ 38,802	$ 41,342	$ 26,379
Accrued liabilities:					
Compensation and related payables	19,547	20,914	24,483	19,293	25,789
Interest	1,146	1,103	1,057	1,103	1,057
Other	17,502	17,044	31,377	36,664	31,338
Accrued medical claims	904	868	—	772	—
Current maturities of long-term debt	13,985	17,956	17,312	17,843	17,197
Due to affiliates	25,583	22,180	852	7,747	—
Total current liabilities	$ 113,785	$ 126,512	$ 113,883	$ 124,764	$ 101,760
Deferred revenue	2,135	1,116	—	483	—
Other long-term liabilities	7,703	8,555	10,958	8,555	11,391
Long-term debt, net of current maturities	261,239	247,214	258,099	245,583	255,668
Net assets:					
Unrestricted	195,171	212,317	244,898	229,042	263,337
Temporarily restricted	15,411	17,020	23,645	17,263	24,822
Total net assets	210,582	229,337	268,543	246,305	288,159
Total liabilities and net assets	$ 595,444	$ 612,734	$ 651,483	$ 625,690	$ 656,978

MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS

Recent Developments

Several positive changes in Medicare reimbursement are expected by the Corporation's management to improve the Corporation's net margin beginning in 2006. First, outpatient case rates for Medicare patients have been increased for proton radiation therapy for both simple and complex cases. Management estimates an annual increase in net revenue of approximately $4 million in 2006 based on the new rates. Second, the Corporation has been reclassified to the Los Angeles-Long Beach metropolitan statistical area ("MSA") for Medicare wage purposes. The Medicare wage index is a significant component of Medicare DRG reimbursement, and the Corporation expects to benefit from the higher wage base in the Los Angeles-Long Beach MSA. Management estimates that the reclassification will increase the net revenue of the Corporation by approximately $4 million annually.

Potentially offsetting these revenue increases is the possible effect of the development of a specialty hospital in the Medical Center's service area. See "SERVICE AREA AND COMPETITION – Other Area Competition." Based on an independent consultant's report prepared at the request of the Corporation and other nonprofit acute care hospitals that opposed the specialty hospital, management has projected as much as a $11 million decrease in net revenues annually as a result of the operations of the specialty hospital. Additionally, if the operations of the specialty hospital result in the closure of one or more nonprofit acute care hospitals in the Medical Center's service area, the Medical Center may be required to treat additional uninsured or under-insured patients, which could have an additional adverse effect on the Corporation's financial condition. Management is unable to predict with certainty the impact on the Corporation if the specialty hospital is constructed. Management expects, however, that any such impact may be material and may result in the discontinuation or reduction of certain unprofitable services currently provided at the Medical Center.

Six-Month Period Ended June 30, 2005

For the six-month period ended June 30, 2005, the Corporation experienced an operating gain of approximately $19.6 million compared to an operating gain of approximately $13.4 million for the six-month period ended June 30, 2004. Total revenue increased by $41.2 million while total expenses increased by $35.0 million.

Net patient service revenue of $364.5 million for the six months ended June 30, 2005 shows an increase of $39.8 million compared to the six months ended June 30, 2004. This is a result of higher inpatient and outpatient volumes and continued revenue cycle improvement.

Employee compensation, inclusive of salaries and benefits expense, increased from $178.4 million for the six months ended June 30, 2004 to $194.1 million for the six months ended June 30, 2005, due to staffing for higher inpatient and outpatient volumes as well as market-driven wage adjustments to accomplish the Corporation's objectives for recruitment and retention of nursing and other key health care positions. Additionally, benefit expenses increased driven by workers' compensation, health insurance and pension costs.

Drugs and supplies expense increased from $63.3 million for the six months ended June 30, 2004 to $66.4 million for the six months ended June 30, 2005, due primarily to higher inpatient and outpatient volumes along with costs associated with technological advances. Bad debt expense increased from $8.2 million for the six months ended June 30, 2004 to $19.9 million for the six months ended June 30, 2005 due to the impact of rate changes effective January 1, 2005 and changes in methodologies for identifying and accounting for self-pay and charity accounts. Management expects bad debt expense to remain at this level. Other expenses increased from $48.7 million for the six months ended June 30, 2004 to $52.6 million for the six months ended June 30, 2005 primarily due to management fees for shared services charged to the Corporation by its parent company LLUAHSC, as well as professional fees related to strategic planning and other management consulting and normal consumer price index changes.

Year Ended December 31, 2004

For the year ended December 31, 2004, the Corporation experienced an operating gain of approximately $40.6 million compared to an operating gain of approximately $12.6 million for the prior year. Total revenue increased $68.7 million while total expenses increased by $40.6 million.

Net patient service revenue of $674.1 million for the year ended December 31, 2004 shows an increase of $59.2 million compared to the year ended December 31, 2003. This was a result of increased inpatient and outpatient volumes, particularly in the area of high margin surgical cases.

Employee compensation, inclusive of salaries and benefits expense, increased from $365.3 million for the year ended December 31, 2003 to $366.9 million for the year ended December 31, 2004. The increase of only $1.6 million was due to an increase of $14 million in management fee costs for shared service employees which moved to LLUAHSC during 2004. Increases in expense related to staffing for higher inpatient and outpatient volumes and benefit expense increases driven by workers' compensation, health insurance and pension costs. During 2004, the reduction of contract labor reduced labor cost to the Corporation by approximately $9 million.

Drug and supply expenses increased from $121.6 million for the year ended December 31, 2003 to $130.6 million for the year ended December 31, 2004. Drug and supply expense increased by $9 million due to increased utilization tied to patient volume and normal consumer price index increases. Bad debt expense increased from $12.4 million for the year ended December 31, 2003 to $22.2 million for the year ended December 31, 2004 primarily due to the impact of rate changes effective January 1, 2004 and increased volumes of patients. Other expense increased by $20.9 million from $74.9 million for the year ended December 31, 2003 to $95.8 million for the year ended December 31, 2004 due to the migration of shared services to LLUAHSC and normal cost increases.

Year Ended December 31, 2003

For the year ended December 31, 2003, the Corporation experienced an operating gain of approximately $12.6 million compared to an operating gain of $17.4 million for the year ended December 31, 2002. Two areas which contributed to the negative variance of approximately $4.8 million were increases in salaries and benefits and a decrease in the number of high margin surgical cases resulting from a loss of anesthesiologists practicing at the Medical Center.

Net patient service revenue increased by $27.5 million from $587.4 million for the year ended December 31, 2002 to $614.9 million for the year ended December 31, 2003.

Off-setting the $27.5 million increase in revenues for the year ended December 31, 2003, was an increase in expenses of approximately $36.6 million. Salaries and benefits increased by $35.2 million, primarily due to higher cost of nursing labor through the use of nursing registry and overtime in response to the Corporation's nursing shortage. This shortage was consistent with the national trend in shortages. Drugs and supplies increased by $11.4 million in the year ended December 31, 2003. Bad debt cost decreased by $5.5 million due primarily to enhancements in collection efforts and a decrease in self-pay accounts receivables aging. Other expenses decreased by approximately $10.4 million due primarily to a decrease in self-insurance professional liability cost and a successful appeal of sales tax issues.

Investment Policy and Performance

The majority of the Corporation's cash equivalents are included in an investment portfolio managed by Loma Linda University Foundation (the "Foundation"). The Foundation offers two investment options – an income pool, which invests primarily in fixed-income obligations having a minimum investment grade quality depending on the type of security, and a growth pool, which invests in money market funds, preferred and common stocks, domestic and international mutual funds, and private capital investment programs. The two investment pools are managed by the Foundation's Investment Management Committee, which consists of representatives from each of the LLUAHSC core corporations. The duties of the Investment Management Committee are as follows:

- To exercise a standard of care to ensure prudence and due diligence while monitoring the investment portfolios;

- To exercise safety so that investments shall be undertaken in a manner that seeks to sustain growth and income while preserving capital through monitoring credit risk, ensuring sufficient liquidity, investing to ensure optimum levels of income and growth, and ensuring diversification that meets investment objectives and controls risk;

- To ensure that investments are consistent with the beliefs of LLUAHSC and the Seventh-day Adventist Church.

In addition to the Investment Management Committee, the Foundation retains professional asset managers to manage specific classes of assets. As of December 31, 2004, the growth and income pools had a total market value of approximately $361 million. Of this amount, the Corporation had approximately $106 million invested in the growth and income pools at December 31, 2004. The Corporation's asset allocation between growth pool investments and income pool investments was 25% and 75%, respectively, at December 31, 2004. The income pool typically pays a fixed rate of return, adjusted periodically based on the portfolio's investment performance. For 2004, the income pool paid a rate of return of approximately 5.75%. For the year ended December 31, 2004, the growth pool produced a rate of return of approximately 12.9%.

The ability of the Foundation to generate investment income and realized gains is dependent in large measure on market conditions. The value of the growth and income pools, as well as investment returns, have shown market volatility in the past and may continue to show market volatility in the future. However, the Corporation has not relied on such earnings to subsidize the Corporation's operations or to fund planned capital replacements and plant improvements.

OTHER INFORMATION

Licenses and Accreditations

The Corporation was granted accreditation status for the three-year period beginning 2004 through 2007 by the Joint Commission on Accreditation of Healthcare Organizations/Institute for Medical Quality (the "Joint Commission"). Additional accreditation status has been granted in the following areas: Commission on Accreditation of Rehabilitation Facilities (CARF), the American Board of Orthotics and Prosthetics; Accreditation Council on Graduate Medical Education; the American College of Surgeons (ACOS); Trauma and Commission on Cancer; the College of American Pathologists (CAP); American Society for Histocompatibility and Immunogenetics; Intersocietal Commission for the Accreditation for Vascular Laboratories; and the American College of Radiology.

The Corporation is certified for participation in the Medicare and Medi-Cal programs and is a member of the American Hospital Association, the California Association of Hospitals and Health Systems, the Council on Teaching Hospitals, the Hospital Council of Southern California and the Seventh-day Adventist Association.

Employees

For the year ended December 31, 2004, the Corporation had approximately 4,500 full time equivalent employees. The Corporation provides a comprehensive package of employee benefits the basic cost of which is funded by the Corporation.

The Taft Hartley Act permits hospital employees to organize, bargain collectively and strike. A 1974 amendment to the Taft Hartley Act provides that any employee of a healthcare institution who is a member of and adheres to the teachings of a religious body which has historically objected to joining or supporting labor organizations may not be required to join or financially support any labor organization as a condition of employment. Such an employee may, however, be required to pay amounts (equal to the financial support he might otherwise have been required to pay) to a nonreligious charitable fund exempt from taxation under Section 501(c)(3)

of the Code. Although none of the Corporation's employees are currently represented by a union, it is possible that one or more unions could attempt to organize all or different classifications of the Corporation's employees.

The Corporation considers its relationship with its employees to be satisfactory.

Defined Benefit Retirement Plan

Through December 31, 1991, the majority of the Corporation's operating entities participated in a multi-employer, noncontributory defined benefit retirement plan (the "Plan") administered by the General Conference which is exempt from the Employee Retirement Income Security Act of 1974. As of December 31, 1991, the Plan was frozen. Past contributions to the Plan were determined by the Plan administrator annually and generally approximated funding levels recommended by consulting actuaries. The Corporation has not made any contributions to the Plan since 1995 and the current market value of Plan assets is approximately equal to the present value of accumulated Plan benefits.

The Corporation, along with the other participants of the Plan, intend to make future voluntary contributions to the Plan as may be necessary to fund any difference between the present value of the Plan benefits and the market value of the Plan assets.

Defined Contribution Retirement Plan

In January 1992, the majority of the Corporation's operating entities commenced participation in a defined contribution retirement plan and a tax-sheltered annuity plan known as the Adventist Healthcare Retirement Plan ("AHRP"). Both plans cover substantially all full-time employees who are at least 18 years of age and have completed at least 1,000 hours of service. The Corporation makes annual contributions to the defined contribution plan totaling 3% of annual employee compensation up to the Social Security wage base ($90,000 in 2005) and 5% of annual employee compensation exceeding the Social Security wage base up to the IRS recognizable wage limit ($210,000 in 2005). Employees may elect to contribute a portion of their compensation to the tax-sheltered annuity plan subject to certain limitations. The Corporation will match 50% of each employee's contribution up to 4% of the employee's annual compensation (a maximum employer matching contribution of 2%). All contributions are subject to a five-year, cliff vesting period. Contributions to the plan by the Corporation for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 totaled approximately $5,856,000, $7,132,000, $8,006,000, $9,363,000 and $9,511,000, respectively.

Professional and General Liability Coverage

Since October 1, 1985, the Corporation has participated in a self-insurance trust program (the "Trust") established by AHS/LL, now LLUAHSC. This Trust was established to fund the primary professional and general liability exposures of certain entities affiliated with Loma Linda University and the Corporation. Under the terms of this program, each trust participant contributes an allocated portion of the amount required to fund, on an occurrence basis, the actuarially determined projected losses for all participants. Affiliated corporations and related entities participating in the self-insurance trust include: the Corporation, LLUBMC, LLU Health Care, Loma Linda University and all of the faculty practice groups.

From October 1, 1985 to September 30, 2003, the Trust retained losses up to $3 million per occurrence and allocated loss adjustment expenses. Currently, the Trust retains losses up to $4 million per occurrence and all allocated loss adjustment expenses. Additional coverage above this self-insured limit is provided through a policy issued by University Insurance Company of Vermont ("UICV") which is a single-parent captive insurance company, domiciled in the State of Vermont. This company is wholly-owned by LLUAHSC. Under the terms of this policy, UICV is used as a "fronting" company and is 100% reinsured by Employer's Reinsurance Corporation up to the policy limits of $25 million per occurrence and an annual aggregate of $50 million. The aggregate limit under this policy could be reached by medical malpractice claims, general liability claims or any combination. Liability claims in excess of these limits are covered by a second excess liability insurance policy issued by the Zurich American

Insurance Company with a limit of $21 million excess of $29 million. A third excess layer of liability coverage is provided under a policy issued by X.L. Insurance Company, Ltd. with a limit of $50 million excess of $50 million per occurrence.

The outstanding liability for the expected retained losses and allocated loss adjustment expenses for the Trust were actuarially projected to be approximately $47,067,000 as of September 30, 2004. The Trust assets were approximately $61,700,000 as of September 30, 2004. The Trust expenses for the 12 months ending September 30, 2005 are projected to be $18,100,000. The Trust participants will contribute an amount to fully fund these projected losses during the current policy year. Since coverage is provided on a group basis, the Corporation and/or any combination of trust participants could exhaust trust funding.

The insurance provided by UICV, Zurich American Insurance Company and X.L. Insurance Company, Ltd. each provide maximum limits of coverage which could be reached by claims from entities in the participating group other than the Corporation.

Workers' Compensation, Employee Health, Unemployment Insurance and Malpractice Insurance

The Corporation is self-insured for workers' compensation, employee health and unemployment insurance. All of these plans are administered by the Corporation's Risk Management Department. All estimated liabilities have been accrued based upon actuarial determinations developed by an independent actuarial firm. At December 31, 2004, approximately $19,239,000 was reserved for anticipated workers' compensation, employee health and unemployment liabilities. With respect to workers' compensation losses in excess of $1,000,000 per occurrence, the Corporation carries excess insurance.

From July 1, 1975 through September 30, 1985, the Corporation, Loma Linda University's School of Medicine and the faculty practice groups were insured against malpractice liability jointly under a group liability program with the primary layer of such insurance underwritten by the Truck Insurance Exchange, a member of the Farmers Insurance Group. During these years the total liability limits fluctuated from a minimum of $20 million per occurrence in 1975 to $100 million per occurrence in 1984. There was no annual aggregate limit applicable to coverage during any of these years. The Corporation contractually assumed and was self-insured for $200 plus 50% of the first $100,000 of each claim. Consistent with California law, the Corporation's insurance does not cover punitive damage liability.

From July 1, 1968 to July 1, 1975, the primary malpractice coverage was written by the Insurance Company of North America on a full coverage basis with no deductible and with excess coverage up to $20 million per occurrence. There are no open claims of known liabilities for any activity which occurred prior to October 1, 1985.

Malpractice Experience

As described above, Loma Linda University's School of Medicine, the faculty practice groups and the Corporation have been jointly self-insured for professional and general liability since 1985. These entities' professional and general liability insurance policies prior to 1985 were also written on a joint basis. From July 1, 1975 through September 30, 1985, there were approximately 624 cases arising out of incidents involving one or more of these groups in which payment was made. The total of such claims paid during such period was approximately $27,602,000, and the largest payment was for approximately $2,700,000.

Since becoming self-insured on October 1, 1985 through June 30, 2005, there have been 2,286 claims made against the Trust. The total indemnity paid during such period has been approximately $78,905,000.

Other Insurance

Since June 1, 1987, all of the Corporation's insurance and self-insurance programs have been administered through the Risk Management Department. Insurance policies may be issued in the name of the Corporation or the

Corporation and Loma Linda University jointly if the cost to the Corporation does not exceed the cost for a policy issued exclusively to the Corporation. The Medical Center is located near two major earthquake faults. The Corporation is not obligated to maintain earthquake insurance coverage, and its decision to maintain or forego such coverage in the past has varied depending upon the availability and price of such insurance.

Litigation

As of August 1, 2005, the Corporation was the defendant in approximately 98 professional, employment and general liability cases which have arisen out of events occurring at the Medical Center. In management's opinion, the probable recoveries and the estimated costs and expenses of defense will be entirely within the Corporation's applicable self-insurance expectations and/or insurance policies.

The Corporation is also a party to certain civil litigation cases, none of which, in the opinion of management, is expected to have a material adverse effect upon the financial condition or operations of the Corporation.

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APPENDIX B

LOMA LINDA UNIVERSITY MEDICAL CENTER CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

APPENDIX C

SUMMARY OF PRINCIPAL DOCUMENTS

APPENDIX D

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

City of Loma Linda
25541 Barton Road
Loma Linda, California 92354

Re: $_____ of Loma Linda, California Hospital Revenue Bonds (Loma Linda University Medical Center Project), Series 2005-A

Ladies and Gentlemen:

We have examined a certified copy of the record of proceedings relating to the issuance by the City of Loma Linda (the "City"), a charter city and municipal corporation organized and existing under and pursuant to the Constitution and laws of the State of California, of $_____ aggregate principal amount of its Hospital Revenue Bonds (Loma Linda University Medical Center) Series 2005-A (the "Bonds"). The Bonds are issued pursuant to the Charter of the City of Loma Linda, as amended to the date hereof (the "Charter"), Ordinance No. 271 of the City (the "Ordinance") and an Indenture, dated as of October 1, 2005 (the "Indenture"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). The Indenture provides the Bonds are issued for the purpose of making a loan of the proceeds thereof to Loma Linda University Medical Center (the "Borrower"), pursuant to a Loan Agreement, dated as of October 1, 2005 (the "Loan Agreement"), by and between the City and the Borrower. Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Indenture.

In our capacity as Bond Counsel, we have examined originals or copies certified or otherwise identified to our satisfaction as being true copies of (i) the Charter, (ii) the Ordinance, (iii) the Indenture, (iv) the Loan Agreement, (v) the Tax Certificate, dated October __, 2005, (vi) the Official Statement, dated September __, 2005 (the "Official Statement"), (vii) the Purchase Contract, dated September __, 2005 (the "Purchase Contract"), executed by Goldman, Sachs & Co., as representative (the "Underwriter") and accepted and agreed to by the Borrower and the City, (viii) letters, certificates and opinions of counsel to the City, the Borrower, the Trustee, the Underwriter and others delivered pursuant to Section __ of the Purchase Contract, and (ix) such other laws, documents, certifications, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have assumed, but have not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined (whether originals or copies) are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto other than the City and that all representations made in the documents that we have reviewed and all legal conclusions contained in the opinions referred to in the preceding paragraph are true and accurate. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

Based upon our examination of all of the foregoing, and in reliance thereon, and on all matters of facts as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The Bonds have been duly authorized, executed and issued.

2. The Indenture has been duly executed and delivered by the City and, assuming proper authorization, execution and delivery by the Trustee, represents a valid and binding agreement of the City enforceable in accordance with its terms.

3. The Bonds are valid and binding limited obligations of the City, payable solely from the Revenues and other assets pledged and assigned therefor under the Indenture and are not a lien or charge upon the funds or property of the City except to the extent of the aforementioned pledge and assignment. The Bonds shall never constitute the debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution of the State of California, and shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers.

4. The Loan Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding agreement of, the City.

5. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

6. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

7. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

8. Interest on the Bonds is exempt from State of California personal income tax.

The opinion expressed in paragraph (5) above as to the exclusion from gross income for federal income tax purposes of interest on the Bonds is based upon certain representations of fact and certifications made by the City, the Corporation and others and is subject to the condition that the City and the Corporation comply with all requirements of the Internal Revenue Code of 1986, as amended (the "1986 Code"), and the Internal Revenue Code of 1954, as amended (the "1954 Code") that must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the 1986 Code and 1954 Code might cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City and the Corporation have covenanted to comply with all such requirements. Other than as expressly stated in paragraphs (5), (6), (7) and (8) above, we express no other opinion regarding tax consequences related to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We call attention to the fact that the foregoing opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions or events are taken (or not taken) or do occur (or do not occur). The Indenture, the Agreement and the Tax Regulatory Agreement executed by the City and the Corporation with respect to the Bonds as of the date hereof permit certain actions to be taken or omitted if a favorable opinion of Bond Counsel is provided with respect thereto. We express no opinion as to the exclusion from gross income of interest on the Bonds for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and purchasers of the Bonds should not assume that we have reviewed the Official Statement.

Respectfully submitted,

APPENDIX F

INFORMATION REGARDING BOOK-ENTRY ONLY SYSTEM

Unless a successor securities depository is designated pursuant to the Bond Indenture, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Securities Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005A Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTERESTS IN THE BONDS, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE BONDS IS DISCONTINUED.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as many be requested by an authorized representative of DTC The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. THE CITY, THE CORPORATION AND THE BOND TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY

OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

While Bonds are in book-entry system, redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, sinking fund and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payment dates in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, sinking fund and interest to DTC is the responsibility of the Corporation or the Bond Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds are required to be printed and delivered as described in the Bond Indenture.

The Corporation may decide to discontinue use of the system of book-entry transfers of the Bonds through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered as described in the Bond Indenture.

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Bond Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Trustee, the Corporation or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED HOLDERS OF THE BONDS, SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.