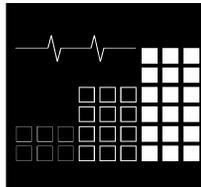


“EZ Quip”

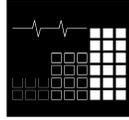
A Special Equipment Lease Program For Nonprofit Health Care Providers in Washington

Offered by:



W A S H I N G T O N
HEALTH CARE FACILITIES
A U T H O R I T Y

“Financing the Health Care Future”



W A S H I N G T O N
HEALTH CARE FACILITIES
A U T H O R I T Y

Dear Prospective Applicant:

It is our pleasure to offer you the Authority's "EZ Quip" equipment loan program for nonprofit, 501(c)3 health care providers in Washington. The Program was developed with an eye toward making it easy to understand and speedy for you to use.

Financing capital equipment projects can be done cost effectively, simply and quickly through the Authority EZ Quip program. The program is an alternative to expensive, taxable vendor or commercial lease financing for short and medium term projects ranging from \$500,000 to \$10 million. By financing through the EZ Quip program, nonprofit health care providers can save thousands of dollars in interest costs over the life of the lease

EZ Quip fees have been structured to make the program highly competitive and very cost effective for loans as low as \$500,000. A loan can be completed in as little as eight to ten weeks from time of application acceptance to funding of the loan.

The concept of the loan program is very simple. You make a list of the equipment you want, cost of the equipment and terms of repayment. We prepare a bid package which includes the equipment list, standardized loan documents, and information regarding the borrower, and then bid the loan out to a number of typical loan purchasers. You review the resulting bids and select the winner.

This booklet contains the following information:

- Brief Description of EZ Quip
- EZ Quip Financing Process
- Equipment Eligible for Financing
- Timing and Fees
- Financing Documents Description
- Appendix (With Sample Application and other documents)

Please feel free to share your comments about this program with the Authority. We are eager to hear your comments on this approach to supporting your financing needs.

Donna A. Fincke

Donna A. Fincke
Executive Director

Brief Description of “EZ Quip”

Financing through the “EZ Quip” program is as easy as 1-2-3-4.

The “EZ Quip” program has been designed for convenience and ease of use. Only four major steps are necessary for successful completion of an EZ Quip. The following pages provide additional detail for each step.

- 1. Submit “EZ Quip” Application for Financial Assistance to the Authority**
- 2. Solicit bids from various vendors**
- 3. Select winning bid**
- 4. Sign loan documents and disburse funds**

This booklet is a basic overview of the “EZ Quip” Program. If you have any questions, please feel free to contact the Authority with any questions.

Donna Fincke
Executive Director
360.586.4370
donna@whcfa.wa.gov

or

Shannon Govia
Assistant Executive Director
360.586.3678
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“EZ Quip” Financing Process

1. Submit “EZ Quip” Application for Financial Assistance to the Authority

The EZ Quip process begins with the submittal of an Application for Financial Assistance to the Authority.

- Submit “EZ Quip “Application for Financial Assistance to the Authority. (A copy of the “EZ Quip “Application for Financial Assistance is attached as an appendix)
- The Authority board acts on each application.
- Application acceptance begins the lease bidding process.
- The applicant and Authority walk through the EZ Quip documents via conference call. (Note: In order to keep legal costs low, the Authority bond counsel has worked with the Authority and the financial advisor to create standardized lease financing documents for this program. The only security is the equipment being financed.)

2. Solicit Bids From Various Lease Vendors

The Authority, through its financial advisor, will conduct a bidding process with the various vendors throughout the nation, who provide equipment lease financing.

- Financial advisor sends copies of the “EZ Quip” Application and financing documents to vendors for review and bid.
- Financial advisor receives and summarizes vendor bids.
- Health care provider selects the “winning” vendor.

3. Select Winning Bid

The financial advisor receives and summarizes the bids. The health care provider selects the winning bid.

4. Sign Loan Documents and Disburse Funds

Once the vendor has been selected, the parties move to close the EZ Quip financing.

- The Authority's bond counsel conducts limited due diligence investigation on the borrower institution
- The Authority board meets for final approval.
- All parties then sign the appropriate legal/loan documents and the loan funds are disbursed.

Financing Documents

There are two types of financing documents: those provided by the Authority, and those provided by the applicant.

Documents provided by Authority:

Master Lease. Lender leases to Authority the equipment identified by the health care provider.

Sub Lease. Authority sublease of equipment to the health care provider.

Depository agreement. Establishes special trust funds for financing required by state law.

Authority resolution. Approves the loan.

Approving opinion of Bond counsel. Legal opinion of the Bond counsel that the obligations of the Authority under the EZ Quip documents have been properly incurred and that interest is exempt from federal income tax.

Investment letter. Lease vendor affirms the credit evaluation of the vendor, and that the vendor is entering into the transaction for its own account.

Documents provided by the health care provider:

Certificate of existence

IRS Determination letter

Counsel opinion

Articles of Incorporation

Bylaws

Borrowers Corporate Resolution authorizing the loan and all EZ Quip documents

Projects Eligible for Financing

Virtually any equipment used in the delivery of health care services or incident to health care delivery may be financed through this program.

Examples include:

- Medical and diagnostic equipment
- Computers and software systems

- Telecommunications equipment
- Vehicles
- Minor renovations required to accommodate installation of equipment can also be considered.

The length of the lease is determined by the useful life of the equipment.

Usually, the larger the project, the more economical it is, but even projects of \$500,000 can be financed at low cost through EZ Quip.

Timing and Fees

Timing. The “EZ Quip” Program has been designed to minimize your time commitment. The anticipated turn around for the “EZ Quip” Program can be as little as 8 – 10 weeks from time the “EZ Quip” Application for Financial Assistance is approved by the Authority to closing and disbursement of funds.

Typical fees. The fees of the program have been structured to make EZ Quip highly competitive. The “EZ Quip” Program is designed to minimize the processing fees of the loan and therefore provide significant savings to the applicant. The typical fees for the program are:

- Authority: Application charge of \$7500; annual fee of up to four basis points
- Bond Counsel: 20,000 maximum, including due diligence, plus actual out of pocket expenses

Appendix

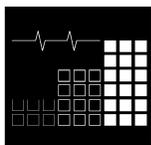
To assist you, sample forms are attached which the applicant will need to provide during the financing process. These forms are also available via fax or e mail.

Appendix A: Sample “EZ Loan” Application for Financial Assistance

Appendix B: Sample Corporate Resolution of health care provider

Appendix C: Sample Opinion of Counsel to health care provider

Appendix D: Sample Preliminary List of Documents Necessary for Due Diligence



W A S H I N G T O N
HEALTH CARE FACILITIES
A U T H O R I T Y

**APPLICATION
“EZ QUIP” FINANCING PROGRAM**

Please send completed application and required legal and financial information to:

1. LEGAL NAME OF ENTITY: _____
2. DESCRIPTION OF ENTITY: _____
(e.g., hospital, community health center, etc.)
3. ADDRESS: _____

4. PLEASE INDICATE THE APPLICANT’S CURRENT DEBT RATING (IF ANY) AND THE RATING AGENCY.

Rating(s): _____

Agency(ies): _____
5. PRINCIPAL CONTACTS (including counsel):

Name: _____ Title: _____

Phone: _____ Email: _____

Name: _____ Title: _____

Phone: _____ Email: _____

6. SUMMARY PROJECT OR EQUIPMENT DESCRIPTION (Also attach itemized equipment list with item of equipment, make, model number, description, serial number, location (department and street address), and any other project cost (e.g., related renovations, installation or development cost and project use of equipment):

7. TOTAL AMOUNT OF LEASE FINANCING REQUEST: \$ _____
 Equity Contribution: \$ _____
 Other Sources of Funds: \$ _____
 TOTAL PROJECT COSTS: \$ _____

Anticipated or Maximum Interest Rate: _____ Term: _____

8. EXPLAIN OTHER SOURCES OF PROJECT FINANCING:

9. DETAILS OF REQUEST

<u>Type of Project</u>	<u>Total Cost</u>	<u>Amount to be Financed with Lease</u>	<u>Reasonable Expected Economic Life</u>	<u>Preferred Length of Loan*</u>
Property Acquisition	\$ _____	\$ _____	_____ yr	_____ yrs.
Construction	\$ _____	\$ _____	_____ yr	_____ yrs.
Renovations	\$ _____	\$ _____	_____ yr	_____ yrs.
Equipment	\$ _____	\$ _____	_____ yr	_____ yrs.
Refinancing	\$ _____	\$ _____	_____ yr	_____ yrs.

* *Generally limited to economic life of asset financed.*

10. REIMBURSEMENT FOR PRIOR EXPENSES: \$ _____
 Will construction be necessary to install equipment? YES _____ NO _____
 If yes, estimated cost: \$ _____
 Completion Date: _____
 Description of how prior expenses were financed:

11. ESTIMATED AMOUNTS AND DATES OF DRAWDOWNS OF LOAN PROCEEDS:

DATE	AMOUNT OF DRAWDOWN
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Please attach expanded drawdown schedule, if necessary.

12. UTILIZATION
 Complete the chart below for the last five years.

	20__	20__	20__	20__	20__	Current YTD 20__/_
Licensed beds	_____	_____	_____	_____	_____	_____
Operated beds	_____	_____	_____	_____	_____	_____
Admissions	_____	_____	_____	_____	_____	_____
Patient Days	_____	_____	_____	_____	_____	_____
Average length of sta	_____	_____	_____	_____	_____	_____
Occupancy*	_____	_____	_____	_____	_____	_____
Emergency Visits	_____	_____	_____	_____	_____	_____
Outpatient Visits	_____	_____	_____	_____	_____	_____
Outpatient surgery vi:	_____	_____	_____	_____	_____	_____

* Based on _____ beds.

Discuss these utilization trends and reasons for variations.

13. OTHER SERVICE AREA HOSPITALS

Hospital	No. of Beds	Occupancy (20__)	Estimated Distance

List cities and towns making up the primary service area and describe briefly your competitive position in the service area, specifying your market share in both primary and secondary markets. Please note services provided principally or exclusively by your hospital as compared with others.

14. REVENUE COMPOSITION

Outline as indicated below the source of hospital revenues for the last five years.

	20__	20__	20__	20__	20__
Medicare	_____	_____	_____	_____	_____
Medicaid	_____	_____	_____	_____	_____
Blue Cross	_____	_____	_____	_____	_____
Commercial Insuranc	_____	_____	_____	_____	_____
Self-pay	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
HMOs	_____	_____	_____	_____	_____

15. DISCUSS FINANCIAL TRENDS AND REASONS FOR VARIATIONS.

16. DOCUMENTS TO BE SUBMITTED TO BOND COUNSEL:

- i. Entity's meeting minutes approving this loan application and/or reimbursement of prior expenditures;
- ii. Letters from attorneys or auditors regarding pending or current litigation;
- iii. Copy of facility license;
- iv. Articles of Incorporation and By-Laws;
- v. Certificate of Need;
- vi. Internal Revenue Service exemption letter;
- vii. Current contracts, leases, guarantees or other commitments of more than one year duration;
- viii. Latest IRS Form 990,

17. INFORMATION TO BE SUBMITTED WITH APPLICATION:

- i. Audited financial statements for the past five years, with auditors' management letters.
- ii. Most recent year-to-date unaudited financial statements, including balance sheet and statement of revenues, expenditures, and transfers.
- iii. Current fiscal year budget and operations to date versus budget, and projected budgets, if available.
- iv. Legal documents for any existing debt.
- v. Any available brochures or catalogs describing the institution or its programs.

18. CERTIFICATION

I, the undersigned, request that this application be submitted for review. I hereby certify that the information contained herein and the attachments hereto are to the best of my knowledge and belief accurate and descriptive of the project which is intended as security for the requested financing. I authorize the Washington Health Care Facilities Authority to undertake the preparation of tax-exempt lease financing documentation and any notices, hearings or other actions taken by the Authority to facilitate the financing requested hereby, and agree to reimburse the Authority for out-of-pocket expenses incurred in connection with taking such actions, including, but not limited to, bond counsel fees, costs of advertising public notices, financial advisor's fees, and other disbursements related to preparing the proposed financing. I understand that the Authority makes no commitment to provide financing and that such financing is conditional upon the approval of the Authority and the execution of legally binding commitments acceptable to all parties.

Signature: _____

Title: _____

Date: _____

Sample Corporate Resolution

[Name of Sublessee]

RESOLUTION OF BOARD OF TRUSTEES REGARDING EZ QUIP FINANCING TRANSACTIONS

WHEREAS, _____ (the “Sublessee”), a Washington nonprofit corporation authorized by law to operate nonprofit health care facilities and a “501(c)(3) organization” (as defined in the Internal Revenue Code of 1986, as amended), has applied to the Washington Health Care Facilities Authority (the “Authority”) for financial assistance in the principal amount \$_____, for the following project (the “Project”): financing, refinancing or reimbursing the Sublessee for the costs of acquiring and installing certain equipment to be used in connection with the Sublessee’s health care operations, as described in Exhibit A hereto, which is incorporated herein by this reference (the “Equipment”); and

WHEREAS, in order to obtain such financial assistance, it is necessary that Sublessee sell the Equipment to _____ (the “Lessor”), with the intention that the Lessor, the Authority as lessee and the Sublessee will enter into a Master Lease and Sublease Agreement dated as of _____ (the “Master Lease”), whereby the Lessor will lease the Equipment to the Authority and the Authority shall sublease the Equipment to the Sublessee (collectively, the “Lease Financing Transactions”);

NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of _____ (the “Board”), as follows:

1. Approval of Borrowing and the Project. The Board hereby approves the obtaining of up to \$_____ in financial assistance from the Authority for the Project, which shall be obtained pursuant to the Lease Financing Transactions. Capitalized words and phrases used but not otherwise defined herein shall have the meanings set forth in the Master Lease.
2. Approval of the Lease Financing Documents. The Board hereby approves accepts, approves and agrees to all the terms and conditions of the following documents (collectively, the “Lease Financing Documents”), in substantially the forms provided to the Board on this date:
 - (a) The Master Lease; and
 - (b) The Depository Agreement dated as of _____ (the “Depository Agreement”), among the Lessor, the Authority as lessee, the Sublessee and _____, as Depository Bank.

3. Security Interests. The Board authorizes and approves the grant of security interest in the Equipment and the Sublessee's interests in the Lease Fund, the Acquisition Fund and the Expense Fund, pursuant to the Master Lease.

4. Execution and Delivery of Documents. The _____, or her/his successor, is hereby granted the discretionary authority and is directed, on behalf of the Sublessee, to execute and deliver to the appropriate parties the Lease Financing Documents in substantially the forms provided to the Board on this date, with such additions, deletions and modifications as are deemed by the _____ to be necessary to conform such documents to each other, or otherwise to be in the best interests of the Sublessee. Execution of the Lease Financing Documents by the _____ shall evidence irrevocably the approval of the executed Lease Financing Documents by the Sublessee.

5. Ratification. All actions heretofore taken by the officers, agents, attorneys and employees of the Sublessee in connection with the Lease Financing Transactions are hereby ratified and approved.

6. Authorization of Future Acts. The Board further authorizes and directs _____, _____ and other proper officers, agents, attorneys and employees of the Sublessee to carry out, or cause to be carried out, all obligations of the Sublessee under the Lease Financing Documents, including, without limitation, the execution and delivery of the certificates and opinions required by the Master Lease and the Depository Agreement, and the payment of the expenses incurred or to be incurred by The Sublessee in connection with the Project and the Lease Financing Transactions; and to perform, or cause to be performed, such other acts as they shall consider necessary or advisable in connection with the Lease Financing Transactions, and the application of such proceeds to accomplish the Project.

7. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval by the Board.

PASSED, APPROVED AND ADOPTED by the Board of Trustees of _____
on _____.

[NAME OF SUBLESSEE]

By _____
Chair

ATTEST:

By _____
Secretary

EXHIBIT A

Equipment to be Financed

[To be completed by Sublessee]

Sample Opinion of Counsel to Health Care Provider

[Date]

Washington Health Care Facilities Authority
Olympia, Washington 98504

[Lessor]

[Sublessee]

[Financial Advisor to the Authority]

[Bond Counsel to the Authority]

Re: WASHINGTON HEALTH CARE FACILITIES AUTHORITY EZ QUIP

We have acted as special counsel to _____ (the “Sublessee”) in connection with the financing, refinancing or reimbursing the Sublessee for the costs of acquiring and installing certain equipment (the “Equipment”) to be used in connection with Sublessee’s health care operations (the “Project”) to be undertaken pursuant to that certain Master Lease and Sublease Agreement dated as of _____ (the “Master Lease”) among _____ as lessor (the “Lessor”), the Authority as lessee, and the Sublessee. Words and phrases that are defined in the Master Lease, when used in this opinion, shall have the same meanings as set forth in the Master Lease, unless otherwise specified herein.

We have read and examined executed counterparts or other copies identified to our satisfaction of each of the following documents:

(a) The Master Lease;

(b) The Depository Agreement dated as of _____ (the “Depository Agreement”), by and among the Lessor, the Authority as lessee, the Sublessee and _____, as depository bank (the “Depository Bank”);

(c) The financing statement on Form UCC-1 (the “UCC-1 Financing Statement”) [and the fixture filing on form UCC-2 (the “UCC-2 Fixture Filing”), naming the Sublessee as debtor, the Authority as secured party and Lessor as assignee of the secured party, and describing the Equipment;

(d) The Resolution of the Board of Trustees of the Sublessee regarding Lease Financing Transactions dated _____ (the “Sublessee Resolution”);

(e) Resolution No. _____ of the Authority dated _____ (the “Authority Resolution”);

(f) The Certificate of Existence of the Sublessee dated _____ and issued by the Secretary of State of the State of Washington (“Secretary of State”);

(g) The Articles of Incorporation of the Sublessee certified by the Secretary of State as of _____;

(h) The Bylaws of the Sublessee certified by the Secretary of the Sublessee as in effect as of the date of the Sublessee Resolution;

(i) The determination letter of the Internal Revenue Service (“IRS”) concerning the status of the Sublessee as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) dated _____;

(j) The Closing Certificate of the Sublessee dated as of _____, and each of the documents attached as exhibits thereto; and

(k) Such other documents as we have deemed necessary and appropriate in order to give the opinions expressed herein.

The Master Lease and the Depository Agreement are sometimes collectively referred to herein as the “Sublessee Documents.”

In this opinion when we use the phrase “to our knowledge,” we mean the conscious awareness of facts or other information obtained (i) from inquiries of the lawyers presently in our firm who have had active involvement in negotiating the Sublessee Documents or preparing this opinion letter or, as to information relevant to a particular opinion, issue or confirmation regarding a particular factual matter, the lawyer in our firm who is primarily responsible for providing the response concerning that particular opinion, issue or confirmation and any other lawyers in our firm who have been actively involved in gathering information relevant to such opinion, issue or confirmation in connection with the preparation of this opinion, excluding information that might be revealed if there were to be undertaken a canvass of all lawyers in all of our offices or a review of all of our files; (ii) through inquiries of management of the Sublessee; and (iii) through examination of such other documents, instruments, written agreements, orders, writs, judgments and decrees to which the Sublessee is a party or by which it

is bound, the existence of which came to our attention as a result of the inquiries described in the foregoing clauses (i) and (ii), and which we deemed necessary to give the following opinions. The agreements, instruments and trust indentures described in this paragraph are referred to collectively as the “Other Agreements,” and the court and administrative orders, writs, judgments and decrees described in this paragraph are referred to collectively as the “Court Orders.” We have made no independent factual investigation of any nature whatsoever concerning the information so obtained.

When we have used the phrase “material adverse effect on the financial condition of the Sublessee” with respect to any particular breach, default or violation, we mean that, based upon our discussions with management of the Sublessee as to the financial impact of such a breach, default or violation, the breach, default or violation in question would adversely affect the ability of the Sublessee to make Rental Payments due under the Master Lease.

Assumptions

In connection with the opinions expressed herein, we have assumed the following:

- A. The authenticity of all documents submitted to us as originals and the authenticity and conformity to the originals of all documents submitted to us as drafts or copies.
- B. That all signatures (other than those of the Sublessee) are genuine.
- C. The legal capacity of all natural persons executing documents.
- D. The due authorization, execution and delivery of each of the Sublessee Documents by, and the enforceability of each of the Sublessee Documents against, all of the parties thereto (other than the Sublessee).
- E. Each party to the Sublessee Documents (other than the Sublessee) has complied with all legal requirements pertaining to its status as such status relates to its rights to enforce such documents to which it is a party against the Sublessee.
- F. There has not been any mutual mistake of fact or misunderstanding, fraud, duress or undue influence.
- G. The conduct of the parties to the Sublessee Documents has complied with requirements of good faith, fair dealing and conscionability.
- H. The Sublessee has or will obtain all permits and governmental approvals required in the future and take all actions similarly required, relevant to subsequent consummation of the transactions contemplated by the Sublessee Documents or performance of the Sublessee Documents.
- I. The Sublessee will not in the future take any action (including a decision not to act) that would constitute a breach or default under any of the Sublessee Documents. The

Sublessee will not in the future take any discretionary action (including a decision not to act) permitted under the Sublessee Documents that would result in a violation of law or constitute a breach or default under any Other Agreement or Court Order.

- J. The Sublessee Documents convey title to the Equipment to the Sublessee.
- K. The Equipment is located in the State of Washington.
- L. The UCC-1 Financing Statement [and the UCC-2 Fixture Filing] have been duly filed or recorded in the appropriate public office.
- M. The UCC-1 Financing Statement [and the UCC-2 Fixture Filing] give addresses for the secured party named therein from which information about the security interests reflected therein may be obtained.
- N. As to matters of fact material to our opinion, we have relied on the completeness and accuracy as of the date of this opinion letter of the information contained in all documents, certificates and records (other than the documents referred to in paragraphs (a) through (k) above).

Opinions

Based upon the foregoing, we are of the opinion that:

1. The Sublessee (a) is a nonprofit corporation duly incorporated and validly existing under the laws of the state of Washington (the “State”); (b) is authorized to transact business in the State; (c) has the corporate power and authority to enter into each of the Sublessee Documents, to own properties and to carry on its business as now conducted; (d) is an organization described in section 501(c)(3) of the Code; (e) is a corporation organized and, to our knowledge, operated exclusively for charitable purposes and not for pecuniary profit, and, to our knowledge, no part of the net earnings of which inures to the benefit of any person, private stockholder or individual, all within the meaning, respectively, 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; (f) is exempt from federal income taxes (except for unrelated business income subject to taxation under Section 511 of the Code); (g) to our knowledge, has taken no actions that would cause the loss of the Sublessee’s status as a 501(c)(3) corporation or its exemption from federal income taxes as set forth in this paragraph A; and (h) is not a private foundation under Section 509(a) of the Code.
2. The Sublessee has complied with chapter 70.38 RCW to the extent the requirements of such chapter apply to the Project. No certificate of need is required to be issued pursuant to chapter 70.38 RCW to enable the Sublessee to accomplish the Project.
3. The Sublessee has obtained all approvals, consents, authorizations, certifications and other orders of any governmental authority, board, agency or commission having jurisdiction, and all filings with any such entities, which constitute a condition precedent to, or

which the failure to obtain or make would materially adversely affect, the ability of the Sublessee to enter into the Master Lease, to grant the liens and security interests created by the Master Lease and to repay the Rental Payments in accordance with the Sublessee Documents, except for such approvals, consents, authorizations, certifications and orders as may be required under the Blue Sky or securities laws of any state.

4. Each of the Sublessee Documents has been duly authorized, executed and delivered and constitutes the valid and legally binding obligation of the Sublessee enforceable against the Sublessee in accordance with its respective terms.

5. The approval by the Sublessee of the Sublessee Resolution, execution and delivery by the Sublessee of each of the Sublessee Documents, the granting by the Sublessee of the liens and security interests created by the Master Lease and the repayment by the Sublessee of the Rental Payments do not violate applicable provisions of the statutes or regulations of the United States, the State or their respective agencies and instrumentalities. We are familiar with relevant federal and State health care laws and regulations.

6. To our knowledge, the Sublessee is qualified to be compensated or reimbursed (to the extent such compensation or reimbursement is available under applicable State and federal statutes and regulations and under applicable contractual arrangements) for its services rendered to the beneficiaries under all third-party payor programs that accounted for a significant portion of its programs or its gross revenues in the fiscal year ended _____.

7. The Master Lease creates a valid security interest in the Sublessee's rights in the Equipment and in the funds held by the Depository Bank to the extent of the Sublessee's interest therein, if any (except to the extent that Article 9 of the Uniform Commercial Code of the State (the "UCC") does not apply to the creation of a security interest in certain collateral or funds held by the Depository Bank by operation of the provisions of RCW 62A.9-104), the filing of the UCC-1 Financing Statement with the Department of Licensing of the State is sufficient to perfect the security interest in the Sublessee's rights in the Equipment granted by the Sublessee, except to the extent such Equipment consists of fixtures (as defined in RCW 62A.9-313) ("Fixtures"), and, to the extent such Equipment consists of Fixtures, the filing of the UCC-2 Financing Statement with the _____ County Auditor is sufficient to perfect such security interests granted by the Sublessee.

8. The approval of the Sublessee Resolution and the execution and delivery by the Sublessee of, and the performance of its agreements in each of, the Sublessee Documents do not (a) violate the Articles of Incorporation or Bylaws of the Sublessee, in each case, as amended; (b) breach, or result in a default under, the Master Trust Indenture; (c) to our knowledge, breach, or result in a default under, any existing obligation of the Sublessee under any Other Agreement; (d) to our knowledge, breach or otherwise violate any existing obligation of the Sublessee under any Court Orders; or (e) to our knowledge, result in the creation or imposition of any lien, charge, security interest or encumbrance upon any of the assets of the Sublessee not permitted under the terms of any Other Agreement.

9. To our knowledge, the Sublessee has complied in all material respects with all applicable requirements of the United States and the State, and of their respective agencies and instrumentalities, to operate its present facilities substantially as they are being operated and is fully qualified by all necessary and material permits, licenses, certifications, accreditations and qualifications, to conduct its business as it is presently being conducted. As used in this paragraph 9, a failure to comply in any “material respect” is a failure that would result in a material adverse effect upon the operations or financial condition of the Sublessee, or upon the ability of the Sublessee to fulfill or comply with the provisions of the Sublessee Documents. A “material” permit, license, certification, accreditation, or qualification is one the absence of which would result in a material adverse effect upon the operations or financial condition of Sublessee, or upon the ability of Sublessee to fulfill or comply with the provisions of the Sublessee Documents.

10. To our knowledge, the Sublessee (a) is not in violation of any federal or State statute or regulation and (b) is not in breach of, or default under, any Court Order or Other Agreement, in each case, which violation, breach or default would have, as of the date hereof, a material adverse effect on the financial condition of the Sublessee. To our knowledge, no event has occurred and is continuing that, with the passage of time or the giving of notice or both, would constitute a breach of or default under any Court Order or Other Agreement and that would have, as of the date hereof, a material adverse effect on the financial condition of the Sublessee.

11. To our knowledge, there are no actions or proceedings against the Sublessee, pending or overtly threatened in writing, before any court, governmental agency or arbitrator that seek to prohibit the Sublessee from entering into any of the Sublessee Documents, from entering into the Master Lease, from granting the liens and security interests created by the Master Lease or from making the Rental Payments.

Qualifications

In addition to the qualifications, assumptions and other limitations set forth above, and without limiting the effect of such qualifications, assumptions and other limitations, our opinion is further qualified as follows:

(i) The opinion expressed in paragraph 7 hereof with respect to the security interests in the Equipment and the funds held by the Depository Bank under the Depository Agreement is further subject to the qualification that the validity and perfection of any security interest in proceeds may be limited by RCW 62A.9-306.

(ii) We express no opinion as to title to or ownership of any real property, fixtures or personal property covered or encumbered or purported to be covered or encumbered by the Sublessee Documents or, except as set forth in paragraph 7 hereof, the priority of and the perfection of any lien or security interest created or purported to be created thereby.

(iii) The enforceability of the Sublessee Documents may be affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, receivership, moratorium and other similar

laws affecting the rights and remedies of creditors generally, by the application of judicial discretion, and by the effect of general principles of equity, including, without limitation, concepts of materiality of the Sublessee's breach and the consequences to the party seeking enforcement, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether applied by a court of law or equity.

(iv) Certain remedies, waivers, and other provisions contained in the Sublessee Documents may not be enforceable, but such unenforceability will not render any of such documents invalid as a whole or preclude the judicial enforcement of the obligation of Sublessee to pay Rental Payments as provided in the Master Lease (to the extent not deemed a penalty), and the realization on the security interests provided for in the Master Lease.

(v) We express no opinion as to the right of Lessor to take possession of the Equipment without having a receiver appointed for any purpose. We advise you that RCW 7.60.020 specifies statutory prerequisites to the appointment of a receiver and such appointment is only available if the action therefor is pursued in accordance with all applicable procedural requirements and that pursuant to RCW 7.60.040 such receiver will have only such powers with respect to the Equipment as are authorized by the court.

(vi) The enforceability of any Sublessee Documents against Sublessee may be against public policy.

(vii) Pursuant to RCW 4.84.330, any provision in the Sublessee Documents requiring a party to pay the attorneys' fees and costs of another party in actions to enforce the provisions thereof will be construed to entitle the prevailing party in any action to be awarded its costs and reasonable attorneys' fees.

(viii) The right to require that the Sublessee maintain insurance in amounts satisfactory to Lessor is limited by RCW 48.27.010(4), which provides that no person shall compel an insured to procure property insurance in an amount in excess of the amount that could reasonably be expected to be paid under the insurance policies in the event of a loss.

(ix) The right to collect costs and expenses incident to any realization or foreclosure proceedings will be limited to reasonable costs and expenses.

(x) The courts of the State will consider extrinsic evidence of circumstances surrounding the making of the Sublessee Documents to ascertain the intent of the parties in using the language employed in the Sublessee Documents, regardless of whether or not the language used in the Sublessee Documents is plain and unambiguous on its face, and may incorporate additional or supplementary terms into the Sublessee Documents.

(xi) Applicable laws, including judicial decisions, may limit or render ineffective the following rights, remedial provisions and waivers in the Sublessee Documents:

(A) provisions that would permit the Authority, the Depository Bank or Lessor to exercise their rights and remedies without notice, by self-help, other than as permitted by law, or in a manner that might be deemed “commercially unreasonable”;

(B) enforceability of provisions relating to subrogation rights, delay or omission of enforcement of rights or remedies, disclaimers, waivers or ratifications of future acts or defenses, severance, marshalling of assets or transferability of assets that by their nature are nontransferable;

(C) provisions that purport to restrict access to legal or equitable remedies or that purport to consent to future actions by the Authority, the Depository Bank or Lessor or to waive any rights to notices, or that purport to establish evidentiary standards or to create agency and attorney-in-fact relationships;

(D) waivers of statutorily or judicially created rights;

(E) provisions that purport to establish evidentiary standards for reasonableness; and

(F) provisions that invoke penalties for default that bear no reasonable relation to the damage suffered or which would otherwise work a forfeiture.

(xi) We express no opinion as to the enforceability of indemnification or contribution provisions contained in the Sublessee Documents to the extent such provisions relate to indemnification for losses or liabilities arising under federal or state securities laws or from the negligence or intentional misconduct of the party seeking indemnification.

(xii) We express no opinion as to (A) the law of any county, town, municipality or special political subdivision of the State, except with respect to the opinion expressed in paragraph 5 hereof; (B) land use, zoning and subdivision laws and regulations; (C) environmental laws and regulations; or (D) federal and State occupational health and safety laws and regulations.

(xiii) We express no opinion as to the perfection of any security interest or lien which cannot be made by filing a financing statement in the State of Washington pursuant to Article 9 of the UCC.

(xiv) We call your attention to the necessity of filing continuation statements (which must be signed by the secured party) from time to time under the UCC. In addition, the UCC may require additional filings upon certain circumstances, including, without limitation, a change in the place of the debtor’s business, a change in the location of any property in which a security interest is granted, a change in the debtor’s form of organization, or a change in the debtor’s name.

(xv) We express no opinion, absent a showing of material impairment of security, as to the enforceability of provisions of the Sublessee Documents which purport to restrict the placement of subordinate encumbrances.

(xvi) We express no opinion as to provisions of the Sublessee Documents which pertain to jurisdiction, venue, and choice of law, service of process or waiver of the right to a jury trial.

(xvii) We express no opinion as to the imposition of the State's Business and Occupations Tax with respect to any of the transactions contemplated by the Sublessee Documents.

(xviii) We express no opinion as to any provisions of the Sublessee Documents which purport to waive rights of setoff or counterclaim.

This opinion is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein. This opinion is issued as of the date hereof, and we undertake no obligation to advise any person of changes in any matters set forth herein and hereby disclaim any obligation to do so.

The law covered by the opinions expressed herein is limited to the federal law of the United States and the law of the State and we express no opinion with respect to the laws of any other jurisdiction.

This opinion letter may be relied upon by you only in connection with the transactions to be undertaken pursuant to the Sublessee Documents, and this opinion letter may not be used or relied upon by you for any other purpose or by any other person for any purpose whatsoever, without in each instance our prior written consent.

Sincerely,

**Preliminary List of Documents
Required with Respect to Due Diligence of Bond Counsel
for the Contemplated EZ QUIP Financing with
the Washington Health Care Facilities Authority**

1. Documents with respect to the organization of the health care provider borrowing the proceeds of the bonds (the "Borrower").
 - a. Current Articles of Incorporation of the Borrower, including any amendments.
 - b. Current By-Laws of the Borrower, including any amendments.
 - c. Recent certificate of good standing (if available; note that one will be ordered for closing by Borrower's counsel).
 - d. An organizational chart.

2. Documents relating to the tax exemption of the Borrower.
 - a. Original determination letter of the Internal Revenue Service ("IRS") evidencing the status of the Borrower as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and not as a "private foundation" under Section 509 of the Code, and any subsequent determination letters of the IRS.
 - b. Evidence of the exemption of the property of the Borrower from local property taxes.
 - c. Copy of each of the Forms 990 and Forms 990T filed with the IRS for the last five fiscal years.

3. Documents relating to the personnel of the Hospital.
 - a. List of directors and officers showing their respective terms of office and occupations.
 - b. Any agreements between the Hospital and its directors, officers or members.

4. Documents relating to licensing and permits.
 - a. All state and local licenses to operate the Borrower's facilities, including narcotics and nuclear disposal licenses.
 - b. The letter and report evidencing most recent accreditation of the Borrower by the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") and all supplemental JCAHO reports and correspondence concerning the Hospital.
 - c. Certificate(s) of Need or application for Certificate of Need, if any are pending, with respect to any project to be financed from the proceeds of the bond issue.
 - e. A copy of the Borrower's charity care policy.
5. Audited financial statements of the Borrower for the last fiscal years and auditor's management letters for the last two fiscal years.
6. Documents relating to operations.
 - a. All management or consulting agreements.
 - b. All contracts with physicians, physician groups or other professional groups or personnel.
 - c. If there are standard individual physician contracts, a copy of a "standard" form.
 - d. All operating or other agreements with affiliated corporations or organizations (including affiliation and transfer agreements with education and health institutions and government agencies).
 - e. Copies of any joint venture agreements, partnership or limited partnership agreements or other agreements relating to joint activities or arrangements with other parties.
 - f. A summary of all pending or threatened litigation involving the Borrower or its properties (whether as a defendant or a plaintiff), including information as to insurance reserves with respect to each claim.
 - g. Letters of legal counsel to auditors regarding litigation and claims for the fiscal year most recently ended.
 - h. A schedule of malpractice loss experience, including the Borrower and affiliated physicians.
 - i. All documentation regarding pending disputes, if any, with governmental agencies related to reimbursement, licensing, taxes, land use, rates, employment,

provider status or environmental issues and any consent decrees, judgments, orders, settlements agreements or similar documents related to the above issues entered into within the previous three years.

10. Miscellaneous.
 - a. Minutes of the meetings of the Board of Directors of the Borrower for the last five years.
 - b. Minutes of any major operating committee (Executive, Finance, etc.) meeting of the Board of Directors of the Borrower for the last five years.