

ILLINOIS HEALTH FACILITIES AUTHORITY

AND

ARRISE, INC.

LOAN AGREEMENT AND MORTGAGE

Dated as of August 1, 1988

Illinois Health Facilities Authority  
Revenue Bonds, Series 1988A and 1988B  
(Community Provider Pooled Loan Program)

Illinois Health Facilities Authority  
Taxable Revenue Bonds, Series 1988C  
(Community Provider Pooled Loan Program)

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This is a security agreement with respect to certain accounts and other property as well as a mortgage on real estate and other property. The rights of the Illinois Health Facilities Authority hereunder have been assigned to American National Bank and Trust Company of Chicago, 33 North LaSalle Street, Chicago, Illinois, 60690, as Trustee under a Trust Indenture dated as of August 1, 1988, from the Illinois Health Facilities Authority.

This instrument was prepared by:

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111 West Monroe Street  
Chicago, Illinois 60603

**BOX 15**

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## LOAN AGREEMENT AND MORTGAGE

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**LOAN AGREEMENT AND MORTGAGE**

This Loan Agreement and Mortgage (the "Agreement") dated as of August 1, 1988, and entered into between the Illinois Health Facilities Authority (the "Authority"), a body politic and corporate constituting a public instrumentality of the State of Illinois, and ARRISE, INC. (the "Health Institution"), a not for profit corporation organized and existing under the laws of the State of Illinois;

**W I T N E S S E T H:**

WHEREAS, pursuant to its powers under the Act (as defined herein), the Authority desires to loan to the Health Institution the amount necessary to enable the Health Institution to finance, refinance and/or be reimbursed for, all or a portion of the cost of acquiring, constructing, remodeling, renovating and/or equipping the Improvements, as hereinafter defined, and the Health Institution desires to borrow such amount from the Authority, subject to the terms and conditions of and for the purposes set forth in this Agreement; and

WHEREAS, the Health Institution has taken all requisite action and is otherwise authorized under its articles of incorporation and bylaws to enter into this Agreement for the purposes set forth herein; and

WHEREAS, the Health Institution has submitted to the Authority, the Trustee (as defined herein) and MBIA (as defined herein) the documents required by the Trustee, the Authority and MBIA in connection herewith;

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

**ARTICLE I**

**DEFINITIONS**

Section 1.1. Definitions. The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"Accountant" or "Accountants" means a certified public accountant or a firm of certified public accountants to whom the Trustee makes no objection or any financial experts approved by MBIA and to whom neither the Authority nor the Trustee makes an objection.

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**"Acquisition Subaccount"** means the Acquisition Subaccount of the Health Institution created in Section 301 of the Indenture.

**"Act"** means the Illinois Health Facilities Authority Act of the State of Illinois, as from time to time amended.

**"Additional Accounts"** means the rights to receive all client fees (whether paid by the client or by any other party) and the rights to receive all other receipts, revenues and income derived from all facilities of the Health Institution in the State by the Health Institution or on behalf of the Health Institution by the Trustee or a receiver, including, without limiting the generality of the foregoing, revenues derived from the operation of all facilities of the Health Institution in the State, whether in the form of accounts receivable, contract rights, general intangibles or other rights, and the proceeds of such rights, whether now owned or held or hereafter coming into existence, but excluding any gifts, donations, pledges, grants, legacies, bequests, devises or contributions heretofore or hereafter made and designated or specified by the donor or maker thereof as being for a specific purpose and thus not available for making Loan Payments, and also excluding all Pledged Accounts.

**"Agreement"** means this Loan Agreement and Mortgage, including the Exhibits attached thereto, which is entered into by the Authority pursuant to the Indenture, as from time to time amended.

**"Applicable Department"** means each State Department with which a Health Institution has a contract for the provision of community-based services to the mentally ill, developmentally disabled or those with alcoholism or substance abuse problems and, in the case of each Health Institution which has such contracts with more than one State Department, the State Department which is the party to the contract in question.

**"Authority"** means the Illinois Health Facilities Authority, a body politic and corporate created and existing under and by virtue of the Act, and its successors and assigns.

**"Authorized Officer" or "Authorized Representative"** means: (i) in the case of the Authority, any person authorized by resolution of the Authority to perform such act or execute such documents; (ii) in the case of the Health Institution, the President, Vice President, Secretary or Treasurer of the Health Institution or any other officer, employee or other person authorized to perform the act in question by the by-laws or a resolution of the Health Institution filed with the Trustee; and



(iii) in the case of the Trustee, any person authorized to perform any act or sign any document by or pursuant to the by-laws or any resolution of the governing body of the Trustee.

"Bond Fund" means the Bond Fund created in Section 301 of the Indenture.

"Bond Insurance Policies" means two or more of the Series A Bond Insurance Policy, the Series B Bond Insurance Policy and the Series C Bond Insurance Policy.

"Bond Insurance Policy" means, when referring to the Series A Bonds, the Series A Bond Insurance Policy, when referring to the Series B Bonds, the Series B Bond Insurance Policy and, when referring to the Series C Bonds, the Series C Bond Insurance Policy.

"Bonds" means the Series A Bonds, the Series B Bonds and Series C Bonds.

"Business Day" means any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions in Illinois or in the city in which the principal corporate trust office of the Trustee is located are authorized by law to close or remain closed, or (ii) a day on which the New York Stock Exchange is closed.

"Capitalized Lease" means any lease of real or personal property which, in accordance with generally accepted accounting principles, is required to be capitalized on the balance sheet of the lessee.

"Closing" means the date and time of issuance of the Series A, B and C Bonds.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Completion Date" means the date of completion of the Improvements, as that date shall be established pursuant to Section 6.3 hereof.

"Consulting Architect" means an individual or an engineering or architectural firm (which may be an individual or an engineering or architectural firm retained by the Health Institution for other purposes) selected by the Health Institution of recognized standing for skill and experience with respect to the construction of facilities similar to those of the Health Institution and not objected to by the Authority or the Trustee.

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"Correlative Bonds" means the Correlative Series A Bonds, the Correlative Series B Bonds and the Correlative Series C Bonds.

"Correlative Series A Bonds" means the amount of Series A Bonds of each maturity listed on Exhibit F hereto less the principal amount of such Bonds which have been redeemed.

"Correlative Series B Bonds" means the amount of Series B Bonds of each maturity listed on Exhibit G hereto less the principal amount of such Bonds which have been redeemed.

"Correlative Series C Bonds" means the amount of Series C Bonds of each maturity listed on Exhibit H hereto less the principal amount of such Bonds which have been redeemed.

"Cost" or "Costs" in connection with the construction, acquisition, remodeling, renovating or equipping of an Improvement, means any "cost," as defined in the Act, including interest on the Loan until completion of the Improvements.

"DPA Health Institution" means a Health Institution designated as such in the Indenture.

"Expense Fund" means the Expense Fund created in Section 301 of the Indenture.

"Funds" means those funds and accounts established and created by Section 301 of the Indenture.

"Government Obligations" means securities which consist of: (a) United States Government Obligations, or (b) evidences of a direct ownership in future interest or principal payments on obligations of the type described in subparagraph (a) above, which obligations are held in a custody account by a custodian satisfactory to the Trustee and MBIA pursuant to the terms of a custody agreement, and which evidences are consented to in writing by the Authority and MBIA.

"Gross Proceeds" means amounts on deposit in the following Funds maintained under the Indenture and in all accounts or subaccounts maintained therein;

- (i) Bond Fund;
- (ii) Program Fund;
- (iii) Series A Reserve Fund;

(iv) Expense Fund, other than amounts on deposit in the Expense Fund from a source other than the proceeds of obligations, the interest on which is or was exempt from federal income taxes under existing statutes, regulations or court decisions;

(v) Any amounts deposited in escrow from the proceeds of the Series A or B Bonds to pay or provide for the payment of any such tax-exempt obligations;

(vi) The Net Proceeds of damage, destruction, condemnation and sale under threat of condemnation of any portion of the property financed or refinanced with the proceeds of the Series A or B Bonds if such Net Proceeds are or are not intended to be applied to repair, rebuild, restore or replace such property or the acquisition of property of the same utility; and

(vii) Any amounts on deposit in the Supplemental Reserve Fund.

"Guarantor" means the party to a Guaranty denominated as such therein.

"Guaranty" means a Guaranty and Security Agreement in substantially the form attached to the Indenture as an exhibit or in such other form as is consented to in writing by MBIA and the Authority guaranteeing payment of amounts payable hereunder.

"Health Institution" means ARRISE, INC., a "participating health institution" within the meaning of the Act, or any successor institution assuming the obligations of the Health Institution in accordance with Section 11.2 hereof.

"Improvements" means the property described in the Health Institution's Project Certificate and the corporate resolution adopted by the Health Institution approving its Loan which was delivered to the Trustee in connection with the issuance of the Bonds, which is financed or refinanced, directly or indirectly, in whole or in part, with the proceeds of the Loan and which constitutes a "project" within the meaning of the Act, and any substitutions for and additions, modifications and improvements to such property as permitted by this Agreement.

"Indenture" means the Trust Indenture dated as of August 1, 1988, between the Authority and the Trustee, as amended and supplemented from time to time, pursuant to which the Bonds are issued.

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"Insurance Consultant" means an insurance consultant, risk management firm, insurance broker or an insurance agent (which may be a consultant, firm, broker or agent retained by the Health Institution for other purposes) selected by the Health Institution of recognized standing for skill and experience in reviewing insurance coverage for institutions of like size and type and not objected to by the Trustee, the Authority or MBIA.

"Letter of Bond Counsel" means the letter dated the date of the Closing from Chapman and Cutler addressed to the Trustee and the Authority regarding arbitrage rebate.

"Lien" means any mortgage, pledge or lease of, security interest in or lien, charge, restriction or encumbrance on any property of the Health Institution in favor of, or which secures any obligation to, any Person other than the Health Institution and any Capitalized Lease under which the Health Institution is lessee.

"Loan" means the loan by the Authority to the Health Institution of the proceeds from the sale of each series of Correlative Bonds pursuant to this Agreement as set forth in Section 3.1 hereof.

"Loan Application" means the Health Institution's Community Provider Pooled Loan Program Loan Application evidencing the Health Institution's intent to participate in the Program.

"Loan Payments" means those payments required to be paid by the Health Institution pursuant to Section 5.2(a) hereof.

"MBIA" means Municipal Bond Investors Assurance Corporation, or any successor.

"Mortgaged Property" means the real property including fixtures subject to the lien of this Agreement as described in the Exhibit B hereto as it may be amended from time to time in accordance with this Agreement.

"Net Proceeds" means the amount remaining from the gross proceeds of any insurance claim, condemnation award or sale under threat of condemnation after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award or in such sale.

"Owner" of Bonds means the registered owner of any Bond.

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"Permitted Encumbrance" means, as of any particular time, any of the following:

(a) Liens for taxes and special assessments on the Mortgaged Property which are not then delinquent, or if then delinquent are being contested in accordance with Section 7.3 hereof;

(b) this Agreement, the Indenture, and any Regulatory Agreement;

(c) leaseholds which in the aggregate do not materially impair the use of the Mortgaged Property for its intended purpose and any leases, licenses or similar rights to use property whereunder the Health Institution is lessee, licensee or the equivalent thereof upon fair and reasonable terms no less favorable to the lessee or licensee than would obtain in a comparable arm's-length transaction;

(d) utility, access and other easements and rights-of-way, mineral rights and reservations, restrictions, encumbrances and exceptions which have not been granted to secure indebtedness and will not materially interfere with or materially impair the Health Institution's use of the Mortgaged Property;

(e) mechanics', laborers', materialmen's, suppliers' or vendors' Liens or rights in respect thereof if payment of the related bill is not overdue or if such Lien is being contested in accordance with Section 9.9 hereof;

(f) Liens arising by reason of good faith deposits in the ordinary course of business by or with the Health Institution in connection with tenders, leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the Health Institution to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes, assessments or other similar charges; any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Health Institution to maintain self-insurance or to

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participate in any funds established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, pensions or profit sharing plans or other social security plans or programs, or to share in the privileges or benefits required for corporations participating in such arrangements;

(g) Liens of or resulting from any judgment or award against the Health Institution so long as the finality of such judgment is being contested and execution thereon is stayed or provision for payment of the judgment has been made in accordance with applicable law or by the deposit of cash or Government Obligations with the Trustee or a commercial bank or trust company acceptable to the Trustee;

(h) rights reserved to or vested in any municipality or public authority to control or regulate the Mortgaged Property or to use the Mortgaged Property in any manner and zoning and similar restrictions which are not violated by the property affected thereby;

(i) such Liens, defects, irregularities of title, encroachments on adjoining property, encumbrances, easements, rights-of-way, and clouds on title as normally exist with respect to properties similar in character to the Mortgaged Property and which do not in the aggregate materially adversely affect the value of the property affected thereby, or materially impair the use of the property affected thereby for the purpose for which it was acquired or is held by the Health Institution, including without limitation statutory Liens granted to banks or other financial institutions, which Liens have not been specifically granted to secure indebtedness and which do not apply to property which has been deposited as part of a plan to secure indebtedness;

(j) statutory rights under Section 291, Title 42 of the United States Code, as a result of what are commonly known as Hill-Burton grants, and similar rights under other federal statutes or statutes of the state in which the property involved is located;

(k) all right, title and interest of the state where the property involved is located, municipalities and the public in and to tunnels, bridges and passage-ways over, under or upon a public way;

(l) Liens on or in property given, granted, bequeathed or devised to the owner thereof existing at the time of such gift, grant, bequest or devise, provided that (i) such Liens consist solely of restrictions on the use thereof or the income therefrom, or (ii) such Liens secure indebtedness which is not assumed by the Health Institution and such Liens attach solely to the property, including the income therefrom, which is the subject of such gift, grant, bequest or devise;

(m) Liens on moneys deposited by patients or others with the Health Institution as security for or as prepayment of the cost of patient care or any rights of residents of life care or similar facilities to endowment or similar funds deposited by or on behalf of such residents;

(n) Liens on property due to rights of third party payors for recoupment of excess reimbursement paid;

(o) Liens on accounts receivable arising as a result of sale of such accounts receivable, provided that the principal amount of indebtedness secured by any such Lien does not exceed the aggregate sales price of such accounts receivable received by the Health Institution selling the same and that such sale has been consented to in writing by MBIA;

(p) any Lien on the Additional Accounts regardless of whether superior to, on a parity with or junior to the Lien created hereby;

(q) any Lien securing indebtedness which is to be refinanced with the proceeds of the Bonds, which refinancing will result in a discharge of such Lien; and

(r) any other Lien consented to in writing by MBIA which is listed on Exhibit C.

"Person" means a natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision thereof or any other similar entity.

"Pledged Accounts" means the rights to receive all receipts, revenues and income from the Health Institution's contracts with the State Departments for the provision of

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community-based services to the mentally ill, developmentally disabled or those with alcoholism or substance abuse problems except to the extent that MBIA agrees in writing that such rights with respect to a particular contract shall be classified as Additional Accounts and not as Pledged Accounts.

"Principal User" means (i) any person who at any time holds more than a 10% ownership interest (by value) in a facility or the person holding the largest interest in the facility, (ii) any person who at any time leases, operates, manages, or otherwise uses more than 10% of a facility or (iii) any person who enjoys a use of a facility in a degree comparable to the persons described in (i) and (ii) above, taking into account all relevant facts and circumstances.

"Private User" means any Person other than a Tax-Exempt Organization engaged in an activity that would not constitute an Unrelated Trade or Business of the Health Institution in question if carried on by such Health Institution.

"Proceeds" or "proceeds" means the amount received from the sale of the Series A and B Bonds, plus all investment earnings thereon.

"Program" means the Community Provider Pooled Loan Program of the Authority of which the Loan is a part.

"Project Certificate" means the certificate with that caption executed by the Health Institution prior to the Closing.

"Pro Rata Share of the Health Institution" means:

(a) with respect to the Series A and B Bonds, a fraction the numerator of which is the outstanding principal amount of the Loan of the Health Institution (excluding any portion of the Loan made with Series C Bond proceeds for other than Program Expenses) and the denominator of which is the outstanding principal amount of all Loans under the Program (excluding the portion of Loans made with Series C Bond proceeds for other than Program Expenses); and

(b) with respect to the Series C Bonds, a fraction the numerator of which is the outstanding principal amount of the Loan of the Health Institution (excluding the portions of the Loan made with Series A and B Bond proceeds and the portion of the Loan made with Series C Bond proceeds and used to pay Program Expenses) and the denominator of which is the outstanding principal amount of all Loans under the Program (excluding the portions of the Loans made with Series A and B Bond proceeds and the portions of the

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Loans made with Series C Bond proceeds and used to pay Program Expenses).

"Pro Rata Share of Expenses" means the share of Program expenses for which the Health Institution is responsible during any calculation period, which amount shall be determined by multiplying such expenses by a fraction, the numerator of which is the outstanding principal amount of the Loan of the Health Institution on the date of calculation and the denominator of which is the outstanding principal amount of all Loans under the Program.

"Pro Rata Share of the Rebate Amount" means, with respect to the Health Institution if no default in payment has occurred and is continuing with respect to its Loan at the time of calculation, its share of the difference between (i) the actual investment earnings on the Gross Proceeds (other than in the Rebate Fund) during the period of the calculation and (ii) the investment earnings which would have been earned on such amounts if they had been invested at the Yield on the Series A and B Bonds during the period of the calculation, which share shall be determined by applying a ratio, the numerator of which is the outstanding principal amount of the Loan of the Health Institution (excluding any portion of the Loan made with Series C Bond proceeds) plus the amount of principal repaid or prepaid on such Loan (excluding any portion of the Loan made with Series C Bond proceeds) since the latest of the date of issue of the Series A and B Bonds, October 24, 1993, or October 24, 1998 and the denominator of which is the outstanding principal amount of all Loans under the Program (excluding any portion of the Loans made with Series C Bond proceeds) plus the amount of principal repaid or prepaid on all Loans (excluding any portion of the Loans made with Series C Bond proceeds) since the latest of the date of issue of the Series A and B Bonds, October 24, 1993, or October 24, 1998 less any such Loans on which a default in payment has occurred and is continuing at the time of calculation. "Pro Rata Share of the Rebate Amount" shall be zero percent with respect to the Health Institution if a default in payment has occurred and is continuing at the time of calculation with respect to its Loan.

"Pro Rata Share of the Supplemental Reserve Fund" means, with respect to a DPA Health Institution, the amount which may be withdrawn from the Supplemental Reserve Fund for the benefit of such Institution which shall be equal to the initial Pro Rata Share of the Supplemental Reserve Fund for such Health Institution specified in the Indenture minus the amount withdrawn from the Supplemental Reserve Fund for the benefit of such Health Institution plus the amount of any such withdrawals which have been repaid to such Fund by or on behalf of such Health Institution.

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"Pro Rata Share of the Supplemental Reserve Fund Negative Arbitrage" means the share of the negative arbitrage on the Supplemental Reserve Fund for which a Health Institution is responsible during any calculation period which amount shall be determined by multiplying the Supplemental Reserve Fund Negative Arbitrage for such period by a fraction, the numerator of which is the outstanding principal amount of the Loan of such Health Institution on the date of calculation and the denominator of which is the outstanding principal amount of all Loans under the Program on such date.

"Qualified Investments" means investments in Government Obligations, in certificates of deposit of, and time deposits in, any bank (as defined by the Illinois Banking Act), which certificates and deposits are continuously and fully insured by the Federal Deposit Insurance Corporation, in the investments listed below and, if consented to in writing by MBIA, in any other obligations issued or guaranteed by any agency or instrumentality of the United States of America or in short-term discount obligations of the Federal National Mortgage Association, or in any other obligation or security which constitutes a permitted investment for moneys of the Authority as a result of an amendment of the Act subsequent to October 24, 1988 which obligation or security so permitted by such an amendment is also consented to in writing by the Authority; provided that investment in any such obligation or security with respect to which the consent of MBIA is required does not have an adverse impact on any rating then assigned to any of the Bonds by any rating agency:

(i) evidences of indebtedness which are issued or guaranteed by any of the following federal agencies and are backed by the full faith and credit of the United States of America:

(a) U.S. Export-Import Bank if such indebtedness consists of direct obligations of such agency or certificates of beneficial ownership fully guaranteed by such agency;

(b) Farmers Home Administration if such indebtedness consists of certificates of beneficial ownership;

(c) Federal Financing Bank;

(d) Federal Housing Administration if such indebtedness consists of debentures;

(e) General Services Administration if such securities consist of participation certificates;

(f) Government National Mortgage Association if such indebtedness consists of mortgaged backed bonds or pass through obligations guaranteed by such agency;

(g) U.S. Maritime Administration if such indebtedness consists of Title XI financing guaranteed by such agency;

(ii) evidences of indebtedness which are issued or guaranteed by any of the following agencies but which need not be backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Bank System if such indebtedness consists of senior debt obligations;

(b) Federal Home Loan Mortgage Corporation if such indebtedness consists of participation certificates or senior debt obligations;

(c) Federal National Mortgage Association if such indebtedness consists of mortgaged-backed securities or senior debt obligations;

(d) Student Loan Marketing Association if such indebtedness consists of senior debt obligations; and

(iii) Guaranteed investment contracts issued by a United States or Canadian life insurance company whose similar funding agreements and claims paying ability is rated "AAA" by Standard & Poor's Corporation which contracts have a term not exceeding 5 years, are secured by 100% of the company's assets and share equivalent payment status with policy holders and are held by the Trustee; provided that the written approval of MBIA has been obtained with respect to all early liquidation provisions of such contract; and

(iv) repurchase agreements with respect to United States Government Obligations with banks or other financial institutions which are primary dealers on the Federal Reserve reporting dealer list or, with the approval of MBIA, banks rated "A" or above or the equivalent by Standard & Poor's Corporation and Moody's

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Investors Service, provided that each such repurchase agreement is in a commercially reasonable form, is for a commercially reasonable period not greater than thirty days except in the case of master repurchase agreements which may have a longer term so long as no repurchase transaction thereunder can have a duration of greater than thirty days, such repurchase agreement results in the creation of a security interest in identified Government Obligations, which fact shall be supported by an opinion of Independent Counsel unless waived in writing by MBIA, and such Obligations are deposited with an agent for the Trustee or delivered to and held by the Trustee or, if such repurchase agreement is with the Trustee, are segregated in a custodial account with a third party and, in either case, such Obligations are free and clear of third party liens, and further provided that the United States Government Obligations acquired pursuant to such repurchase agreements shall be valued weekly at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement. The United States Government Obligations so purchased pursuant to such a repurchase agreement shall have an aggregate market value at all times equal to 102% of the purchase price paid for such securities pursuant to such repurchase agreement including any interest accrued on such United States Government Obligations; provided that in any event the United States Government Obligations shall at all times have an aggregate market value equal to 100% of such purchase price excluding such interest.

"Rebate Fund" means the Rebate Fund created in Section 301 of the Indenture.

"Regulations" means U.S. Treasury Regulations dealing with arbitrage and rebate, as the same may be from time to time amended. At the date hereof, the Regulations constitute Treasury Regulations 1.103-13, 1.103-14, 1.103-15, and 1.103-15AT.

"Regulatory Agreement" means any Regulatory Agreement and Declaration of Restrictive Covenants executed pursuant to Section 9.2 hereof which shall be in substantially the form attached to the Indenture or with such changes therein as are approved by the Authority as in the opinion of nationally recognized municipal bond counsel acceptable to the Authority will not have an adverse affect on any exemption of the interest on the Series A or B Bonds from federal income taxation to which such Bonds would otherwise be entitled.

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"Related Person" means any Person that (a) is at least 50 percent owned, directly or indirectly, by either the Health Institution or a Person owning, directly or indirectly, at least 50 percent of the Health Institution; (b) owns, directly or indirectly, at least 50 percent of the Health Institution; (c) is otherwise controlled or managed by either the Health Institution or a Person that controls or manages the Health Institution; (d) otherwise controls or manages the Health Institution; or (e) is otherwise, directly or indirectly, under common management or control with the Health Institution.

"Series A Bonds" means the "Illinois Health Facilities Authority Revenue Bonds, Series 1988A (Community Provider Pooled Loan Program)" to be authenticated and delivered pursuant to Article II of the Indenture.

"Series A Bond Insurance Policy" means the municipal bond insurance policy issued by MBIA insuring the principal of and interest on the Series A Bonds.

"Series A Reserve Fund" means the Series A Reserve Fund created in Section 301 of the Indenture.

"Series A Reserve Fund Requirement" means an amount initially equal to \$6,950,000 reduced by any amount applied to pay Bonds from the Series A Reserve Fund pursuant to the Indenture in the event of payment in full of a Loan and by any reduction therein required by the provisions of the Indenture intended to assure the continued maintenance of the exemptions of the interest on the Series A and B Bonds from federal income taxation to which such Bonds would otherwise be entitled.

"Series B Bonds" means the "Illinois Health Facilities Authority Revenue Bonds, Series 1988B (Community Provider Pooled Loan Program)" to be authenticated and delivered pursuant to Article II of the Indenture.

"Series B Bond Insurance Policy" means the municipal bond insurance policy issued by MBIA insuring the principal of and interest on the Series B Bonds.

"Series C Bonds" means the "Illinois Health Facilities Authority Taxable Revenue Bonds, Series 1988C (Community Provider Pooled Loan Program)" to be authenticated and delivered pursuant to Article II of the Indenture.

"Series C Bond Insurance Policy" means the municipal bond insurance policy issued by MBIA insuring the principal and interest on the Series C Bonds.

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"Series C Expense Fund" means the Series C Expense Fund created in Section 301 of the Indenture.

"Series C Reserve Fund" means the Series C Reserve Fund created in Section 301 of the Indenture.

"Series C Reserve Fund Requirement" means an amount initially equal to \$263,000 reduced by any amount applied to pay Bonds from the Series C Reserve Fund pursuant to Sections 308 and 409 of the Indenture in the event of payment in full of a Loan.

"Share of the Series A Reserve Fund" means with respect to the Health Institution, the amount of moneys and the market value of securities held in the Series A Reserve Fund multiplied by a fraction, the numerator of which is the outstanding principal amount of the Loan to the Health Institution (excluding any portion of such Loan made with Series C Bond proceeds), without giving effect to partial payments and the denominator of which is the outstanding principal amount of all Loans under the Program (excluding any portion of the Loans made with Series C Bond proceeds) without giving effect to partial payments.

"Share of the Series C Reserve Fund" means, with respect to any Health Institution, the amount of moneys and the market value of securities held in the Series C Reserve Fund multiplied by a fraction, the numerator of which is the outstanding principal amount of the Loan to such Health Institution (excluding the portion of such Loan made with Series A and B Bond proceeds), giving effect to partial payments, and the denominator of which is the outstanding principal amount of all Loans under the Program (excluding the portions of the Loans made with Series A and B Bond proceeds), giving effect to partial payments.

"State" means the State of Illinois.

"State Contract" means any contract for the provision of community-based services to the mentally ill, developmentally disabled or those with alcoholism or substance abuse problems between the Health Institution or the Guarantor and an Applicable Department.

"State Department" means the Department of Alcoholism and Substance Abuse, the Department of Mental Health and Developmental Disabilities or the Department of Public Aid of the State.

"Supplemental Reserve Fund" means the Supplemental Reserve Fund created in Section 301 of the Indenture.

"Supplemental Reserve Fund Negative Arbitrage" means for any calculation period the Trustee's estimate of the negative difference, if any, between (i) the interest which will become due on the Series C Bonds maturing August 15, 2003 and (ii) the Trustee's estimate of the interest to be received (or, if all or a portion of the amounts deposited in the Supplemental Reserve Fund has been withdrawn for any purpose other than the redemption of Series C Bonds upon the payment in whole of the Loan of a DPA Health Institution, the amount which it estimates would have been earned if such amounts had not been withdrawn) during such period from the reinvestment of moneys in the Supplemental Reserve Fund in an amount equal to the principal amount of such Series C Bonds; provided, however, that for the annual period ending August 15, 2003, the Trustee shall calculate such investment deficiency as if the reinvestment rate expressed as a percent were equal to the actual reinvestment rate expressed as a percent estimated by the Trustee to be in effect for such period minus 2%; and provided further that (i) if the Trustee's estimate of the deficiency in any year other than the annual period ending August 15, 2003 proves less than the actual deficiency, the difference shall be added to the amount of the Supplemental Reserve Fund Negative Arbitrage for the next annual calculation period, or (ii) if the Trustee's estimate of the deficiency is greater than the actual deficiency, the difference shall be credited against the amount of the Supplemental Reserve Fund Negative Arbitrage for such next succeeding annual calculation period; provided further that, notwithstanding anything herein to the contrary, if the Trustee's estimate of the Supplemental Reserve Fund Negative Arbitrage in the annual period ending August 15, 2003, as determined by the Trustee on or before July 15, 2003, will be less than the actual amount of the Supplemental Reserve Fund Negative Arbitrage, the Trustee shall assess each Health Institution its Pro Rata Share of such actual deficiency (calculated on the same basis as its Pro Rata Share of the Supplemental Reserve Fund Negative Arbitrage would be calculated) as a Loan Payment under its Agreement.

"Supplemental Reserve Fund Requirement" means an amount initially equal to \$775,000 reduced by any amount applied to pay Bonds from the Supplemental Reserve Fund pursuant to the Indenture in the event of payment in full of a Loan by a DPA Health Institution.

"Tax-Exempt Obligations" means obligations described in Section 103(a) of the Code, the interest on which is not includable in the gross income of any owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed by Section 55 of the Code.

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"Tax-Exempt Organization" means a person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code, which is exempt from federal income taxes under Section 501(a) of the Code, and which is not a "private foundation" within the meaning of Section 509(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"Trustee" means American National Bank and Trust Company of Chicago, Chicago, Illinois, being the paying agent, registrar and the trustee under the Indenture, or any successor corporate trustee.

"Underwriters" means Bear, Stearns & Co. Inc., Donaldson, Lufkin & Jenrette, Kirchner Moore & Company and Ward and Associates, Inc.

"United States Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is fully guaranteed by, the United States of America.

"Unrelated Trade or Business" means an activity that constitutes an "unrelated trade or business" within the meaning of Section 513(a) of the Code without regard to whether such activity results in unrelated trade or business income subject to taxation under Section 512(a) of the Code.

"U.S." means the United States of America.

"Written Request" means with reference to the Authority, a request in writing signed by the Chairman, Vice-Chairman, Executive Director or Associate Executive Director of the Authority and with reference to the Health Institution means a request in writing signed by the President or a Vice President of the Health Institution, or any other officers designated by the Authority or the Health Institution, as the case may be.

"Yield" or "yield" means that yield (i.e., discount rate) which when used in computing the present worth of all payments of principal and interest paid and to be paid on an obligation (using semi-annual compounding on the basis of a 360-day year) produces an amount equal to its purchase price, including accrued interest.

All terms not otherwise defined herein shall have the meanings assigned thereto in the Indenture. All accounting terms not otherwise defined herein or in the Indenture shall have the meanings assigned to them in accordance with generally accepted accounting principles.



All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision unless the context indicated otherwise.

**ARTICLE II**

**REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE HEALTH INSTITUTION**

**SECTION 2.1. Representations, Warranties and Covenants of the Health Institution.** The Health Institution represents, covenants and warrants for the benefit of Authority, the Trustee, MBIA and the Owners as follows:

(a) **Corporate Organization and Authority.** The Health Institution:

(i) is a not for profit corporation duly organized, validly existing and in good standing under the laws of the State of Illinois;

(ii) is a "participating health institution" (as defined in the Act) and is authorized by the laws of the State to provide or operate a "health facility" (as defined in the Act) that is located in the State;

(iii) has all requisite power and authority and all necessary licenses and permits to own and operate its properties and to carry on its activities as now conducted and as presently proposed to be conducted; and

(iv) has been organized exclusively for charitable and eleemosynary purposes and no part of its net earnings inures to the benefit of any person, private stockholder or individual within the meaning of Section 3(a)(4) of the Securities Act of 1933, as amended.

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(b) Full Disclosure. There is no fact that the Health Institution has not specifically disclosed to the Authority and MBIA in writing that materially and adversely affects or (so far as the Health Institution can now foresee), except for pending or proposed legislation or regulations that are a matter of general public information affecting health care institutions generally, that will materially affect adversely the ability of the Health Institution to perform its obligations under this Agreement and the State Contracts.

The representations of the Health Institution in this Agreement and any other written statement furnished by the Health Institution to the Authority, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make such statements not misleading. There is no fact which the Health Institution has not disclosed to the Authority and MBIA in writing which materially affects adversely or, so far as the Health Institution can now foresee, will materially affect adversely its tax exempt status or its status as a Tax Exempt Organization, its ability to own and operate its property, its status as an eligible provider under its State Contracts or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. There are no proceedings pending or, to the knowledge of the Health Institution, threatened against or affecting the Health Institution, except as specifically described in writing to the Authority and MBIA, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Health Institution, or the corporate existence, powers or ability of the Health Institution to enter into and perform its obligations under this Agreement.

(d) Borrowing Legal and Authorized. The execution, delivery and performance of this Agreement including without limitation the granting and giving of the mortgage lien, the security interests and the other security provided for hereunder, the consummation of the transactions provided for in this Agreement and compliance by the Health Institution with the provisions of this Agreement:

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(1) are within the corporate powers and have been duly authorized by all necessary corporate and other action on the part of the Health Institution, and the Agreement in the hands of the holder thereof will be the legal and valid obligation of the Health Institution; and

(2) do not and will not conflict with, result in any breach of any of the terms, conditions or provisions of, constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Health Institution pursuant to, any indenture, loan agreement, other agreement or instrument (other than this Agreement) or corporate restriction to which the Health Institution is a party or by which the Health Institution may be bound, nor will such action result in any violation of the provisions of the articles of incorporation or bylaws of the Health Institution or any laws, ordinances, governmental rules or regulations or court orders to which the Health Institution or any of its properties or operations is subject.

(e) **No Defaults.** No event has occurred and no condition exists that, upon the passage of time or the giving of notice or both, would constitute a Default or an Event of Default. The Health Institution is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) have heretofore been specifically disclosed in writing to, and have been in writing specifically consented to by, the Authority and MBIA and (ii) do not, and will not, have any material adverse effect on the transactions herein contemplated and the compliance by the Health Institution with the terms hereof, of its charter, articles of incorporation or bylaws or any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound.

(f) **Governmental Consent.** The Health Institution has obtained all permits, approvals and findings of non-reviewability required by any governmental body or officer for the acquisition, construction, remodeling, renovation, and/or equipping of the Improvements, the financing or refinancing thereof, the reimbursement of the Health Institution therefor in the case of

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facilities to be utilized in connection with services provided pursuant to the Medicare program, or the payment by each Applicable State Department for services rendered utilizing such Improvements which in the case of an Improvement which is not yet completed can be obtained prior to the completion of such Improvement, including without limitation a certificate of need permit, a certificate of exemption or a finding of non-reviewability from the Illinois Health Facilities Planning Board if and to the extent required by applicable law, whether by reason of the aggregate amount of the cost of the Improvements, the inclusion of the Improvements in another project requiring such permit, approval, certificate or finding of non-reviewability, or otherwise; the Health Institution has complied with any applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the acquisition, construction, remodeling, renovation and/or equipping of the Improvements, financing or refinancing thereof, reimbursement of the Health Institution therefor or the payment by each Applicable State Department for services rendered utilizing such Improvements; and any such acquisition, construction, remodeling, renovation, equipping, financing, refinancing or reimbursement contemplated in this Agreement is consistent with, and does not violate or conflict with, the terms of any order of such Planning Board or any Applicable State Department which is applicable thereto. No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority which has not been obtained is required on the part of the Health Institution as a condition to the execution and delivery of this Agreement.

(g) **Taxes.** The income of the Health Institution is not subject to taxation under Chapter 120, Section 2-205 of the Illinois Revised Statutes, 1987 (the Illinois Income Tax Act). The Health Institution is a Tax-Exempt Organization and has obtained a determination by the Internal Revenue Service to such effect; such status has not been and is not being contested by the Internal Revenue Service. All Federal and state tax or information returns, statements, certificates and reports of the Health Institution required by law to be filed to the date hereof in order to establish and maintain such exemptions from taxation under the Illinois Revised Statutes, 1987, as amended and supplemented, and the Code have been duly filed.

(h) Compliance with Law. The Health Institution:

(1) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as a Tax-Exempt Organization which is a "participating health institution" under the Act and an Illinois not for profit corporation; and

(2) has obtained all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its property or to the conduct of its activities, and agrees to obtain all such licenses, permits, franchises or other governmental authorizations as may be required in the future;

which violation of or failure to obtain might materially and adversely affect (i) the ability of the Health Institution to own its properties or to conduct its activities as presently conducted, (ii) its status as a Tax-Exempt Organization, as a "participating health institution" under the Act or as such a not for profit corporation or (iii) the condition (financial or otherwise) of the Health Institution.

(i) Use of Proceeds. The Health Institution will apply the proceeds of the Loan from the Authority solely as follows:

(1) The proceeds of the Series A Bonds which are loaned to the Health Institution will be applied to retire indebtedness of the Health Institution described in the Health Institution's Project Certificate or reimburse the Health Institution for amounts applied by it to retire the portion of such indebtedness coming due after the date of such Project Certificate and before the application of Bond proceeds to pay such indebtedness, to fund a portion of the Series A Reserve Fund and to pay a portion of the cost of issuing the Series A and B Bonds. The proceeds of such indebtedness were applied to pay the costs described in such Project Certificate.

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(2) The proceeds of the Series B Bonds which are loaned to the Health Institution will be applied to pay or to reimburse the Health Institution for the payment of all or a portion of the cost of the items described in the Health Institution's Project Certificate, to fund a portion of the Series A Reserve Fund and to pay a portion of the cost of issuing the Series A and B Bonds. All of said items for which the Health Institution is to be reimbursed were acquired, constructed, remodeled, renovated, and/or installed by the Health Institution subsequent to the commencement of the fiscal year of the Health Institution which fiscal year immediately preceded the fiscal year of the Health Institution during which the Health Institution executed its Loan Application.

(3) The proceeds of the Series C Bonds which are loaned to the Health Institution will be used to pay a portion of the costs of issuing the Series A, B and C Bonds, to fund the Series C Reserve Fund and, if the Health Institution is a DPA Health Institution, to fund the Supplemental Reserve Fund. The portion of the proceeds, if any, of the Series C Bonds reflected in Exhibit A as being deposited in the Acquisition Sub-account will be applied to pay the costs of the items described in the Health Institution's Project Certificate.

All of the costs described above constitute "costs" as defined in Section 2.05 of the Act of a "project" as defined in Section 2.04 of the Act consisting of a mental or physical rehabilitation facility, an educational facility or home, for the developmentally or physically disabled, or an alcohol, drug or substance abuse diagnosis, treatment or rehabilitation facility. Except as described in Exhibit J, none of the proceeds of the Loan are being or will be used, directly or indirectly, to refinance any indebtedness arising from a loan to the Health Institution which was funded from the proceeds of obligations the interest on which is or was exempt from federal income taxes under existing statutes, regulations or court decisions. All items constituting the Improvements are included within the term "project" as defined in the Act, and do not, and shall not, at

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any time, include any institution, or place, or equipment or other personal property, used or to be used for a purpose or in a manner prohibited by the second, third, fourth or fifth paragraphs of Section 9.2 hereof.

Any indebtedness of the the Health Institution to be refunded, directly or indirectly, with Bond proceeds was incurred by the the Health Institution, and the proceeds of said indebtedness have been expended, to pay or refinance indebtedness of the the Health Institution which was initially incurred by the the Health Institution to pay, and the proceeds of which were expended to pay, all or a portion of the "costs" of "projects" (as defined in the Act) owned and operated by the Health Institution; and such refunding, if any, is in the public interest and either (i) will alleviate a financial hardship upon the Health Institution, (ii) is in connection with other financing for the Health Institution by the Authority or (iii) is expected to result in a lessened cost of patient care and a saving to third parties, including government, and to others who must pay for care, or any combination thereof.

(j) **Deposit of Collateral.** If requested by MBIA, the Health Institution has deposited with the Trustee prior to the Closing cash or certificates of deposit in the amount requested by MBIA.

(k) **Incorporation by Reference.** The representations and warranties contained in the Health Institution's Project Certificate and in Exhibit I are incorporated herein by reference as if set forth in full herein.

(l) **Guaranty.** If the Health Institution is not or is not intended to be the operator of the Improvements, it has caused the operator or prospective operator to execute a Guaranty.

(m) **Residential Rental Property.** The Health Institution has executed a Regulatory Agreement with respect to all portions of the Improvements which have been or are being used to provide residential rental property for family units. Such Regulatory Agreement will be recorded in the proper records prior to the initial disbursement of moneys from the Health Institution's Acquisition Subaccount created under the Indenture.

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## ARTICLE III

### LOAN TO HEALTH INSTITUTION

**Section 3.1. Loan to Health Institution.** The Authority hereby loans to the Health Institution and the Health Institution borrows from the Authority the portions of the proceeds of the Bonds described in Exhibit A hereto which shall be deposited and applied as described in such Exhibit.

The Health Institution further acknowledges that such amounts deposited into the Expense Fund and the Series C Expense Fund shall be requisitioned by the Authority to pay the costs of issuing the Health Institution's Pro Rata Share of the Bonds and other costs of the Program.

Amounts shall be disbursed from the Acquisition Subaccount upon the terms and subject to the conditions of Article VI hereof.

## ARTICLE IV

### TERM OF AGREEMENT

**Section 4.1. Term of Agreement.** The term of this Agreement shall commence on the date of delivery hereof and shall terminate upon the payment or provision for payment in full of all amounts due hereunder, provided however, that the covenants and obligations contained in the second paragraph of Section 9.2 and in Sections 9.7, 10.1, 11.3, 12.3, 13.5, 13.10 and 13.11 hereof shall survive termination of this Agreement.

## ARTICLE V

### SECURITY PROVISIONS; PROVISIONS FOR PAYMENT

**Section 5.1. Security Provisions.** In order to secure the payment of the Loan and all other payment obligations hereunder and to secure the performance by the Health Institution of all the covenants expressed or implied by this Agreement the Health Institution does hereby assign, grant, bargain, sell, transfer, pledge, set-over, convey, mortgage and confirm unto the Authority and its successors and assigns forever, and does grant a security interest thereunto forever in:

(a) the Mortgaged Property together with the entire interest (whether now owned or hereafter acquired) in and to said real estate and the entire interest of the Health Institution in and to all buildings, structures, improvements and appurtenances



now standing, or at any time thereafter constructed upon such real estate, including all right, title and interest of the Health Institution in and to all building materials, building equipment and fixtures of every kind and nature whatsoever on said real estate or in any building, structure or improvement now or hereafter constructed on said real estate, and the reversion or reversions, remainder or remainders, in and to said real estate, and together with the entire interest of the Health Institution in and to all and singular the tenements, hereditaments, easements, rights of way, rights, privileges and appurtenances to said real estate, belonging or in any way appertaining thereto, and all right, title and interest of the Health Institution in and to any streets, ways or alleys adjoining said real estate or any part thereof including all bridges thereover and tunnels thereunder, including without limitation all claims or demands whatsoever of the Health Institution either in law or in equity, in possession or expectancy of, in and to said real estate, it being the intention of the parties hereto that so far as may be permitted by law, all tangible property now owned or hereafter acquired by the Health Institution and affixed to or attached to said real estate shall be deemed to be, and shall be considered as, fixtures and appurtenances to said real estate of the Health Institution, together with all rents, income, issues and profits therefrom and proceeds thereof; provided, however, that food service equipment, television service equipment, x-ray, surgical, laboratory, radio-isotopes and similar medical equipment which may be attached or affixed to said real estate shall not be deemed to be fixtures to said real estate unless such equipment cannot be removed and the structures restored without material damage to said real estate; subject to Permitted Encumbrances; and

(b) to the extent permitted by law, in the Pledged Accounts and in the Additional Accounts, subject to Permitted Encumbrances, and all of its right, title and interest, if any, in the Funds and in any trust accounts referred to in this Agreement or the Indenture.

This pledge shall be valid and binding from and after the date of the first delivery of any of the Bonds. To the extent any property covered by this Agreement consists of rights of action or personal property, this Agreement constitutes a security agreement and creates a security interest in such property in favor of the Authority.

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The Authority shall have and hold all and singular, the Mortgaged Property, the Pledged Accounts, the Additional Accounts and such Funds and trust accounts whether now owned or hereafter acquired, unto the Authority, its successors and assigns forever; provided, however, that this mortgage and grant of security interests is upon the express condition that if the Health Institution shall pay or cause to be paid all indebtedness and other amounts secured hereby and shall keep, perform and observe all and singular the covenants and promises in this Agreement expressed to be kept, performed and observed by the Health Institution, then this Agreement and the rights hereby granted shall cease, determine and be void, otherwise to remain in full force and effect.

## Section 5.2. Loan Payments and Other Amounts Payable.

(a) The Health Institution shall pay or cause to be paid to the Trustee in lawful money of the United States of America the Loan Payments for the Health Institution as calculated and recalculated pursuant to Article V of the Indenture. The initial Loan Payments which are subject to recalculation pursuant to the Indenture, including without limitation recalculation within 30 days after the issuance of the Bonds, are set forth in Exhibit D hereto. The Loan Payments payable for each annual period from August 16 of one year to August 15 of the next year shall be made in equal monthly payments due on or before the last Business Day of the months set forth below. If the Health Institution has a contract with the Illinois Department of Public Aid (unless MBIA consents in writing to the payment schedule described in the next sentence), it shall make eight monthly payments commencing in September 1988 and nine monthly payments commencing in August during each annual period thereafter. If the Health Institution has such a contract with the Illinois Department of Public Aid but has received MBIA's written consent or if the Health Institution does not have such a contract, it shall make nine monthly payments commencing in September, 1988 and ten monthly payments commencing in August during each annual period thereafter. The Health Institution agrees to continue making the payments required by this Section 5.2 until its Loan has been repaid in full and to make the payments required to be made thereafter hereunder. The Health Institution shall also pay or cause to be paid its Pro Rata Share of any shortfall in the final year of the Bonds, as determined by the Trustee pursuant to Section 5.12 of the Indenture.

(b) In the event any moneys in the Supplemental Reserve Fund, the Series A Reserve Fund or the Series C

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Reserve Fund, to the extent applicable, are transferred to the Bond Fund to make up deficiencies between (i) the amount owed by the Health Institution on Correlative Series A and B Bonds or Correlative Series C Bonds, on Series A and B Bonds equal to its Share of the Series A Reserve Fund, on Series C Bonds equal to its Share of the Series C Reserve Fund or on Series C Bonds equal to its Pro Rata Share of the Supplemental Reserve Fund and (ii) the amounts paid or caused to be paid by the Health Institution pursuant to subsection (a) above, the Trustee shall give written notice thereof to such Health Institution which shall immediately deposit moneys into the applicable Reserve Fund an amount equal to the amount so transferred and shall deposit interest on such amount at the maximum stated interest rate on the outstanding Bonds from the date of the draw on the applicable Reserve Fund to the date of repayment of such amount which interest shall be deposited first into the applicable Reserve Fund until the full amount required to be on deposit therein has been restored or, in the case of the Supplemental Reserve Fund, the amount withdrawn therefrom for the benefit of the Health Institution has been restored, and then into the Bond Fund.

(c) The Health Institution agrees to pay its Pro Rata Share of the Rebate Amount within 5 days following the mailing of notice each year of such amount to the Health Institution by the Trustee.

(d) To the extent permitted by law, the Health Institution agrees to pay to the Trustee any amount of principal or interest on the Bonds which a Bondholder received, and which the Trustee has notice that such Bondholder has been required to disgorge to the Health Institution or its trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws.

(e) The other provisions hereof notwithstanding, the Health Institution agrees to pay to the Bond Trustee such additional amounts as are assessed to the Health Institution pursuant to Section 512(g) of the Indenture as its share of any additional amounts necessary to make payment on the Bonds or to pay costs of or related to the Program which additional amounts are not attributable to any default by any other institution participating in the Program.

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The obligation of the Health Institution to make the payments required by this Section and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events except as expressly provided under this Agreement. Notwithstanding any dispute between the Health Institution and the Authority, the Trustee, any Owner, or any other person, the Health Institution shall make all payments required by this Section when due and shall not withhold any payment pending final resolution of such dispute nor shall the Health Institution assert any right of setoff or counterclaim against its obligation to make such payments required under this Agreement. The Health Institution's obligation to make such payments during the term of this Agreement shall not be abated through accident or unforeseen circumstances. The Health Institution shall bear all risk of damage or destruction in whole or in part to the Improvements or any part thereof including without limitation any loss, complete or partial, or interruption in the use, occupancy or operation of such Improvements, or any manner or thing which for any reason interferes with, prevents or renders burdensome, the use or occupancy of the Improvements or the compliance by the Health Institution with any of the terms of this Agreement.

## ARTICLE VI

### COMPLETION OF THE IMPROVEMENTS

**Section 6.1. Agreement to Complete the Improvements.** The Health Institution agrees that it will complete the Improvements with all reasonable dispatch and will obtain all permits, approvals, consents, findings and authorizations and make all filings, registrations and qualifications of the type referred to in Section 2.1(f) hereof by the time required which relate to the Improvements or the financing or refinancing thereof.

**Section 6.2. Disbursements from the Acquisition Sub-account.** In the Indenture, the Authority has authorized and directed the Trustee to make payments from the Acquisition Subaccount of the Health Institution to pay the Costs of the Improvements, other than the costs of issuing the Bonds. Such payments shall be made only at the times specified in the Indenture. Each payment of the Costs shall be made only upon receipt by the Trustee of a requisition signed by an Authorized Representative of the Health Institution stating (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due or was made, (iii) the amount to be paid, (iv) that such costs have been incurred by the Health Institution and are presently due and payable or have been paid by the Health Institution and are reimbursable hereunder and that none of the items for which the payment is proposed to be made has formed the basis for any payment theretofore made from

the Acquisition Subaccount, (v) the nature of each item for which the payment is proposed to be made, that such item is or was reasonable and necessary in connection with the Improvements and is a proper charge against the Acquisition Subaccount and that the costs to be paid or reimbursed are valid "costs" of a "project" under the Act, (vi) with respect to the construction of Improvements described in the Health Institution's Project Certificate, a statement that the general contractor has filed with the Health Institution receipts or waivers of liens for all amounts theretofore disbursed for work, materials and equipment furnished by such general contractor, and, upon completion of a subcontract by any subcontractor, receipts or waivers of liens by such subcontractor for all amounts theretofore disbursed for work, materials and equipment furnished by such subcontractor, (vii) that each item for which the payment is proposed to be made is the subject of a certificate of need permit, a certificate of exemption or a finding of non-reviewability by the Illinois Health Facilities Planning Board or that attached to such requisition is an opinion of counsel acceptable to MBIA, the Authority and the Trustee to the effect that no such certificate or finding with respect to such item is required, (viii) that upon payment of the amount requested in such requisition, the amounts remaining in the Acquisition Subaccount, together with other legally available moneys of the Health Institution, are sufficient to pay the portion of the Costs then unpaid, and (ix) such Costs are for Improvements which do not and will not violate the provisions of Section 9.2 and payment of such Costs with amounts on deposit in the Program Fund and the use of such Improvements will not result in a violation of the provisions of Sections 9.2 or 9.7.

Notwithstanding any provisions of this Section to the contrary, the Trustee shall make no disbursements from the Acquisition Subaccount after the disbursement to the Expense Fund referred to in Section 3.1 hereof until the Trustee has received (i) fully executed contracts between the Health Institution and the Applicable Departments for the current annual period beginning the preceding July 1 containing the provisions set forth in Exhibit E hereto and signed by an officer of the Applicable Department acceptable to MBIA and providing for the payment to the Trustee of an aggregate amount equal to the Loan Payments becoming due during the term of such contracts or, if the Health Institution is not the operator of the Improvements, a Guaranty executed by such operator together with fully executed contracts between the operator and the Applicable Departments for the current annual period beginning the preceding July 1 containing such provisions, signed by such officer, acceptable to MBIA and providing for such payments; (ii) with respect to Improvements the costs of which are to be reimbursed or refinanced through the refinancing of indebtedness, receipt of the title insurance required by Section 7.4(f) hereof which in the case of the Improvements to be financed shows the release of

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the lien securing the indebtedness refinanced with the proceeds of the Loan; provided that the aggregate amount of all the title insurance referred to in subsection (ii) and in subsection (iii) shall not be less than the amount of the Health Institution's Loan; (iii) with respect to Improvements to be acquired, constructed, remodeled, renovation or equipped, satisfactory documentation of amendments to Exhibit B hereto to include any real property to be added to such Exhibit and receipt of the title insurance required by Section 7.4(f) hereof; provided that the aggregate amount of all the title insurance referred to in subsection (ii) and in subsection (iii) shall not be less than the principal amount of the Health Institution's Loan; (iv) evidence satisfactory to MBIA that this Agreement, any Regulatory Agreement to which the Health Institution is a party and the Indenture or evidence thereof satisfactory to MBIA have been recorded with the recorder of deeds in the county or counties where the Improvements are located and that financing statements have been filed with such recorder and the Office of the Secretary of State of the State of Illinois to perfect the security interests granted or assigned hereby and by the Indenture; (v) an opinion of counsel acceptable to MBIA, the Authority and the Trustee to the effect that this Agreement creates a first mortgage lien on the Mortgaged Property, as amended, and a prior perfected security interest, to the extent such interest can be perfected solely by such filing, in the Pledged Accounts and the Additional Accounts, subject in each case only to Permitted Encumbrances, and containing such other opinions as are reasonably requested by MBIA or the Authority; (vi) with respect to the Improvements, the costs of which are to be reimbursed or refinanced through the refinancing of indebtedness, in either case at the first disbursement after the disbursement to the Expense Fund referred to in Section 3.1, a letter from an Independent Accountant to the effect that the Health Institution has made the expenditures for the Improvements referred to in such letter for which such Health Institution is then requesting reimbursement or that such expenditures were made with the proceeds of the indebtedness which such Health Institution is then seeking to refinance; (vii) appraisals, as of a date within 120 days of the first disbursement after the disbursement to the Expense Fund referred to in Section 3.1, satisfactory to MBIA and the Authority of all real property subject to the lien hereof which appraisals indicate that the amount of the Health Institution's Loan does not exceed 80% of the appraised value of such property; (viii) a certificate of an Insurance Consultant (with insurance certificates attached) which indicates that the insurance then being maintained by the Health Institution complies with Section 7.4 hereof, or in such other form as is acceptable to MBIA, and the initial determination required by Section 7.4(a); and (ix) written consent of MBIA to the initial disbursement (excluding the disbursement to the Expense Fund referred to in Section 3.1 hereof), which consent may not be withheld as long as the Trustee has received the items referred to in the preceding clauses of this sentence.

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**Section 6.3. Establishment of Completion Date; Actions Required Upon Completion.** The Completion Date shall be evidenced to the Trustee by a certificate signed by an Authorized Representative of the Health Institution stating that except for amounts retained by the Trustee for any amount of the Costs not then due and payable, the Improvements have been completed and, with respect to Improvements which were constructed, renovated or remodeled, that the Improvements have been completed in accordance with the plans and specifications therefor, the labor, services, materials and supplies used in connection with such Improvements have been paid for, all other facilities necessary in connection with such Improvements have been acquired, constructed and installed in accordance with the plans and specifications, all costs and expenses incurred in connection therewith have been paid, and the Improvements conform with all applicable zoning, planning and building regulations and are suitable and sufficient for efficient operation as a health facility within the meaning of the Act. Notwithstanding the foregoing, the certificate shall be and shall state that it is given without prejudice to any right of the Authority or the Health Institution against third parties which exist at the date of such certificate or which may subsequently come into being. Upon receipt of such certificate the Trustee shall retain in the Acquisition Subaccount an amount necessary for payment of the Costs not then due and payable; all other amounts remaining in the Acquisition Subaccount after the Completion Date and after payment of the Costs then due and payable, shall be deposited in the Bond Fund and used to call Correlative Bonds in accordance with Section 402(c) of the Indenture.

If any Loan proceeds are used to purchase, construct, renovate, remodel and equip Improvements, upon completion of the Improvements and delivery to the Trustee of the certificate required by the first paragraph of this Section 6.3, the Health Institution shall take whatever action is necessary to grant to the Authority and assign to the Trustee a first mortgage lien on the real property portion of such Improvements, subject only to Permitted Encumbrances, to provide title insurance on such real property in compliance with Section 7.4(f) hereof, to subject to the pledge and security interest created hereunder the State Contract or Contracts with the Applicable Departments relating to such Improvements for the provision of community-based services to the mentally ill, developmentally disabled or those with alcoholism or substance abuse problems and to provide to the Trustee an appraisal as of a date within 120 days of the date of delivery thereof satisfactory to MBIA and the Authority of all such real property included in such Improvements and the other real property subject to the lien hereof which indicate that the amount of the Health Institution's Loan does not exceed 80% of the appraised value of the real property subject to the lien hereof.

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**Section 6.4. Completion of the Improvements if the Acquisition Subaccount is Insufficient.** The Health Institution acknowledges that the moneys in the Acquisition Subaccount available for payment of the Costs of the Improvements may not be sufficient to pay the Costs of the Improvements in full, and agrees to complete the Improvements and to pay that portion of the Costs in excess of the moneys available therefor in the Acquisition Subaccount from any moneys legally available for such purpose. The Authority does not make any warranty, either express or implied, that the moneys which will be paid into the Acquisition Subaccount will be sufficient to pay all the Costs. The Health Institution shall not be entitled as a result of paying a portion of the Costs pursuant to this Section to any reimbursement therefor from the Authority, the Trustee or from the Owners, nor shall it be entitled to any diminution in or postponement of the Loan Payments or other payments required to be paid hereunder.

**Section 6.5. Plans and Specifications.** In connection with the construction, renovation and remodeling of Improvements, the Health Institution shall file the plans and specifications therefor and a schedule of the equipment and other portions thereof which are not the subject of the plans and specifications and any amendments thereto with the Trustee for safekeeping. The Health Institution may revise the plans, specifications and schedule at any time prior to the Completion Date, provided that the Authorized Representative of the Health Institution shall certify to the Trustee and the Authority that (i) the Improvements, after completion of acquisition, construction, remodeling, renovating and equipping thereof in accordance with the revised plans, specifications and schedule, will constitute a "health facility" within the meaning of the Act, (ii) the Improvements when completed in accordance with the revised plans, specifications and schedule, will not be materially inconsistent with the description of the Improvements in the Project Certificate of the Health Institution, (iii) such change or amendment will not, when aggregated with all other prior changes or amendments cause the total estimated cost of the Improvements to exceed the amount on deposit in the Health Institution's Acquisition Subaccount plus a reasonable estimate of the investment income thereon and on other funds, if any, established under the Indenture, held by the Trustee and to be deposited in the Acquisition Subaccount, (iv) such change will not reduce the average useful life of the Improvements, and (v) such change in the plans, specifications and schedule will not result in the Improvements conflicting with the provisions of Section 9.2 or in any conflict with the provisions of Section 9.7.

In addition, the Health Institution may make revisions to the plans, specifications and schedule which will cause the

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Improvements to be materially inconsistent with the description of the Improvements contained in the Project Certificate of the Health Institution so long as the Health Institution has provided the certifications described in (i), (iii) and (v) above and has provided to the Authority and the Trustee an opinion of nationally recognized municipal bond counsel acceptable to the Authority to the effect that such revisions will not adversely affect the validity of the Bonds or the exemption of the Series A or B Bonds from federal income taxation. The Health Institution may rely on a certificate of the Trustee as to the amounts available or to be available in the Acquisition Subaccount to complete the Improvements as aforesaid. No such change or amendment shall be made which would result in the facilities of the Health Institution being used for any purpose prohibited by Section 9.2 hereof or which would result in a violation of the provisions of Section 9.7 hereof, which would violate or conflict with the terms of the approvals, certificates of exemption or findings of non-reviewability concerning the Improvements by the Illinois Health Facilities Planning Board or any Applicable Department or which would result in the Improvements or any portion thereof not being located on the real property subject to the mortgage lien granted hereunder. A copy of each such change in or amendment to the plans, specifications and schedule shall be filed promptly with the Trustee.

**Section 6.6. Surety Bonds; Health Institution to Pursue Remedies Against Contractors and Subcontractors and Their Sureties.** In connection with the construction, renovation or remodeling of Improvements described in the Project Certificate of the Health Institution, the Health Institution shall secure from each contractor directly employed by the Health Institution under a contract or contracts totaling over \$100,000 a payment and performance bond executed by a responsible surety company authorized to do business in the State in a penal sum equal to the entire amount to become payable under the contract with such general contractor. Each bond shall be conditioned on the completion of the work in accordance with the plans and specifications and upon the payment of all claims of subcontractors and suppliers. A dual obligee rider in favor of the Authority and the Trustee shall be obtained by the Health Institution for each such bond. Each such bond shall be delivered by the Health Institution to the Trustee and the Authority promptly upon receipt thereof by the Health Institution.

In the event of a material default of any contractor or subcontractor under any contract in connection with such Improvements or in the event of a material breach of warranty with respect to any material, workmanship or performance guaranty, the Health Institution will promptly proceed to exhaust

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the remedies of the Health Institution, the Authority and the Trustee against the contractor, subcontractor or supplier in default and against any surety for the performance of such contract. The Health Institution shall advise the Authority and the Trustee of the steps it intends to take in connection with any such default. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be paid into the Acquisition Subaccount, net of legal fees, unless recovered after the Completion Date and full disposition of the Acquisition Subaccount in accordance with this Agreement, in which case they shall be transferred to the Bond Fund and applied to the redemption in accordance with Section 402(c) of the Indenture of Correlative Bonds of such Health Institution.

## ARTICLE VII

### MAINTENANCE; MODIFICATION; TAXES; AND INSURANCE

**Section 7.1. Maintenance of Mortgaged Property by the Health Institution.** The Health Institution agrees that at all times during the term of this Agreement, the Health Institution will, at the Health Institution's own cost and expense, maintain, preserve and keep the Mortgaged Property or cause the Mortgaged Property to be maintained, preserved and kept, together with the appurtenances thereto and every part and parcel thereof, in good repair, working order and condition and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof as may be necessary so that its business carried on in connection therewith may be properly and advantageously conducted at all times. The Authority shall have no responsibility in any of these matters.

**Section 7.2. Substitution, Modification or Alteration of Mortgaged Property or Improvements; Maintenance of Property Free of Liens.** Subject to the provisions of Sections 9.1, 9.7 and 9.8 hereof, the Health Institution shall have the privilege at its own cost and expense of making substitutions (including substitution of the real property referred to in the second paragraph of Section 6.3 for property already included in the Mortgaged Property), additions, modifications and improvements to the Mortgaged Property and the same shall be the property of the Health Institution and subject to the terms of this Agreement as part of the Mortgaged Property; provided, however, that:

(a) such substitutions, additions, modifications and improvements shall not in any way damage the Mortgaged Property;

(b) the Mortgaged Property as improved or altered upon completion of substitutions, additions, modifications and improvements made pursuant to this Article VII shall be of a value not less than the value of the Mortgaged Property immediately prior to the making of substitutions, additions, modifications and improvements;

(c) such substitutions, additions, modifications and improvements shall not in any way adversely impact any contract between the Health Institution and any Applicable Department for the provision of community-based services to the mentally ill, developmentally disabled or those with alcoholism or substance abuse problems; and

(d) the Health Institution shall give written notice of any proposed substitution to MBIA at least fifteen days prior to the effective date of such substitution.

The Health Institution shall have the privilege at its own cost and expense of making additions, modifications and improvements to the Improvements and the same shall be the property of the Health Institution and subject to the terms of this Agreement as part of the Improvements; provided, however, that after such additions, modifications and improvements, the Improvements shall continue to constitute "health facilities" within the meaning of the Act and that no such additions, modifications or improvements shall be made which would result in the facilities of the Health Institution, being used for any purpose prohibited by Section 9.2 hereof, which would result in a violation of the provisions of Section 9.7, which would violate or conflict with the terms of the approvals, certificates of exemption or findings of non-reviewability concerning such conditions, modifications or improvements or which would result in the Improvements or any portion thereof not being located on the real property subject to the mortgage lien granted hereunder. Notwithstanding any provision of this Section to the contrary, except as otherwise permitted by Section 9.8 hereof, the Health Institution shall not sell, substitute or dispose of the Improvements until all its Correlative Bonds are paid or provision for such payment has been made in accordance with Article IX of the Indenture. To the extent that any portion of the Mortgaged Property consists of Improvements, such portion shall be governed by the provisions of this paragraph.

Any property other than the Improvements (which may only be transferred in accordance with Section 9.8 hereof) for

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which a substitution or replacement may be made pursuant to this Section may be disposed of by the Health Institution in any manner and in the sole discretion of the Health Institution so long as such disposition would not result in a violation of Section 9.7 hereof.

**Section 7.3. Taxes, Other Governmental Charges and Utility Charges.** The Health Institution will pay during the term of this Agreement, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Mortgaged Property and any other property acquired by the Health Institution in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Mortgaged Property as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Mortgaged Property; provided that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the Health Institution shall be obligated to pay only such installments as are required to be paid during the term hereof.

The Health Institution may, at its expense, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom unless, in the reasonable opinion of the Trustee, the Mortgaged Property shall be subject to loss or forfeiture, in which case such taxes, assessments or charges shall be paid promptly or secured by posting a bond with the Trustee in form satisfactory to the Trustee. The Authority at the expense of the Health Institution shall cooperate fully with the Health Institution in any such contest.

**Section 7.4. Insurance.** Throughout the term of this Agreement, the Health Institution shall keep its facilities including equipment continuously insured against the following risks, paying as the same become due and payable all premiums with respect thereto:

(a) Insurance against loss or damage to its facilities by fire, lightning, vandalism and malicious mischief, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State. Such insurance shall be in an amount not less than 90% of the full insurable replacement value of such facilities but any such

policy may have deductible clauses in such amounts as are customary for facilities of similar size and character within the State. The term "full insurable replacement value" for the purposes of this subsection and subsection (g) below shall mean the actual replacement cost of such facilities and equipment (excluding foundation and excavation costs and costs of underground flues, pipes, drains and other uninsurable items), and shall be determined during 1988 (or by such later date which is not more than 120 days following the completion of the Improvements as is agreed to in writing by MBIA), 1993 and 1998 by an architect, contractor, appraiser or appraisal company or one of the insurers, in any case, selected and paid for by the Health Institution and approved by MBIA. A copy of such determination shall be delivered to the Authority, the Trustee and MBIA. Delivery of the initial determination shall be made prior to the first disbursement from the Acquisition Subaccount after the disbursement to the Expense Fund referred to in Section 3.1 hereof unless a later delivery date is consented to in writing by MBIA.

(b) Comprehensive general accident and public liability insurance (including coverage for all losses arising from the ownership or use of any vehicle) providing coverage limits (including deductible clauses) of not less than the coverage limits customarily carried by owners or operators of facilities of similar size and character within the State.

(c) Medical liability insurance protecting the Health Institution against claims arising from professional services rendered or performed at its health care facilities, with limits of not less than \$150,000 with respect to each claim and not less than \$400,000 in the aggregate for each year during the term of any existing policy or such lesser amounts as are approved in writing by MBIA.

(d) Fidelity insurance or bonds on those of its officers and employees who handle funds of the Health Institution, both in such amounts and to such extent as are customarily carried by organizations similar to the Health Institution and operating properties similar in size and character to the facilities of the Health Institution.

(e) Workmen's compensation insurance, disability benefits insurance and such other forms of insurance as the Health Institution is required by law to provide with respect to its facilities.

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(f) From and after the first disbursement from the Health Institution's Acquisition Subaccount after the initial disbursement therefrom to pay the cost of issuance of the Bonds, title insurance in an amount not less than the amount of the Loan showing that the Health Institution has good and marketable title to the Mortgaged Property, subject only to Permitted Encumbrances and mechanics' liens not of record, and that this Agreement constitutes a valid first mortgage lien on the Mortgaged Property, subject to Permitted Encumbrances. In the event that property other than the Improvements are subject to the lien hereof, such title insurance shall relate to such property until such time as the Improvements are substituted therefor at which point such title insurance shall be amended or a new title insurance policy shall be obtained relating to the Improvements.

(g) Upon execution of any construction, remodeling or renovation contract relating to any construction, remodeling or renovation portions of the Improvements and until the Completion Date, builders' risk insurance to the extent of the full insurable value of such portions of the Improvements.

The Health Institution shall deliver to the Trustee (i) at least 30 days prior to the expiration of any such policies evidence as to the renewal thereof, if then required by this Section, and the payment of all premiums then due with respect thereto, and (ii) promptly upon request by the Authority or the Trustee, but in any case within 90 days after the end of each calendar year, a certificate of an Authorized Representative of the Health Institution setting forth the particulars as to all insurance policies maintained by the Health Institution pursuant to this Section and certifying that such insurance policies are in full force and effect, that such policies comply with the provisions of this Section and that all premiums then due thereon have been paid.

If the certification required by the immediately preceding paragraph cannot be made by the Health Institution, the Health Institution shall employ, at its expense, an Insurance Consultant to review the insurance coverage required by this Section and to render to the Health Institution, the Authority and the Trustee a report as to the adequacy of such coverage and as to its recommendations, if any, for adjustments thereto. The insurance coverage provided by this Section may be reduced or otherwise adjusted by the Health Institution without the consent of the Authority or the Trustee, provided that all coverages

after such reduction or other adjustment are certified by the Insurance Consultant to be adequate and customary for facilities of like size and type, taking into account the availability of such insurance, the terms upon which such insurance is available, the cost of such available insurance and the effect of such terms and such cost upon the Health Institution's costs and charges for its services.

Anything herein to the contrary notwithstanding, the Authority may permit the Health Institution to become self-insured for all or any part of the foregoing requirements, other than the insurance carried pursuant to subparagraph (a) of the first paragraph of this Section unless agreed to in writing by MBIA and other than title insurance required to be obtained pursuant to subparagraph (f) of such first paragraph, if the Authority has received (i) a written evaluation with respect to such self-insurance program from a nationally recognized Insurance Consultant, and (ii) evidence satisfactory to it that reserves created by the Health Institution for such self-insurance program have been deposited and are being maintained with an independent corporate trustee. The Health Institution shall pay any fees charged by such nationally recognized Insurance Consultant and any expenses incurred by the Authority. The Authority's decision to permit the Health Institution to be self-insured shall be in the Authority's discretion, subject to the written consent of MBIA. The Health Institution's self-insurance existing on the date of execution of this Agreement may continue without evidence of compliance with the above requirements.

All policies maintained by the Health Institution pursuant to this Section shall be taken out and maintained in generally recognized, responsible insurance companies, which may include "captive" insurance companies, selected by the Health Institution and with respect to the insurance policies required by subsections (a) and (g) of this Section shall name the Authority, the Trustee, and the Health Institution as insureds as their respective interests may appear, provided that the Trustee shall also be named as a mortgagee under the terms of a standard Illinois mortgagee loss payable endorsement with respect to the insurance policies required by subsections (a), (f) and (g) of this Section and provided further that all insurance proceeds for losses, except for workmen's compensation, fidelity insurance, medical liability insurance, and public liability insurance, shall be paid directly to the Trustee. Such policies or certificates of insurance shall (i) provide that no cancellation, reduction in amount, or material change in coverage thereof shall be effective until at least 10 days after written notice is sent to the Authority and the Trustee, and (ii) be satisfactory in all other respects to the Authority and the Trustee.

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**Section 7.5. Application of Net Proceeds of Insurance.** The Net Proceeds of the insurance carried pursuant to subparagraph (a) and (g) of the first paragraph of Section 7.4 hereof shall be applied as provided in Section 8.1 hereof. The Net Proceeds of insurance carried pursuant to subparagraphs (b), (c) and (e) of the first paragraph of Section 7.4 hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid. The Net Proceeds of the fidelity insurance carried pursuant to subparagraph (d) of the first paragraph of Section 7.4 hereof shall be held by the Health Institution to replace the funds lost. The Net Proceeds of the title insurance carried pursuant to subparagraph (f) of the first paragraph of Section 7.4 hereof shall be held by the Trustee to be applied either to the correction of the title defect giving rise to such Net Proceeds or to the redemption of the Correlative Bonds pursuant to Section 402 of the Indenture.

## ARTICLE VIII

### DAMAGE, DESTRUCTION AND CONDEMNATION

**Section 8.1. Damage and Destruction.** Unless the Health Institution shall have exercised its option to prepay the Loan in full pursuant to Article 10.1 hereof, if the Mortgaged Property or the Improvements (to the extent they are not included in the Mortgaged Property) are destroyed or damaged by fire or other casualty, the Health Institution shall promptly give written notice thereof to the Trustee and the Authority. All Net Proceeds of insurance resulting from such claims for losses shall, at the option of the Health Institution, either be used to redeem Correlative Bonds or be held by the Trustee in a separate trust account, whereupon (i) the Health Institution will promptly repair, rebuild, or restore the property damaged or destroyed to substantially the same utility and condition as it existed prior to such damage or destruction, with such changes, alterations, and modifications (including the substitution and addition of other property provided that any other property substituted for damaged or destroyed Improvements must be suitable for operation as a health facility) as may be desired by the Health Institution and as will not impair the Health Institution's ability to operate the property in an efficient manner or the utility of the property or result in a violation of Sections 9.2 or 9.7 hereof, and (ii) the Trustee, upon receipt of a Consulting Architect's certificate that such payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding, or restoration as the work progresses. Any balance of such Net Proceeds remaining after payment of all the costs of such repair,

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rebuilding, or restoration shall be transferred (i) in the case of Net Proceeds relating to Improvements, to the Bond Fund and applied, together with such additional moneys, if any, which shall be supplied by the Health Institution as are necessary in order that the amount so applied equals \$1,000 or any integral multiple thereof, to the redemption of Correlative Bonds on the next interest payment date and (ii) in the case of Net Proceeds relating to Mortgaged Property which does not consist of Improvements, to the Health Institution. In the event such Net Proceeds are not sufficient to pay in full the costs of such repair, rebuilding, or restoration, the Health Institution will nonetheless complete the work thereon and will pay any costs thereof in excess of the amount of said Net Proceeds. The Health Institution shall not by reason of the payment of such excess costs be entitled to any reimbursement from the Authority, the Trustee or the Owners or any postponement, abatement, or diminution of the Loan Payments and other payments required to be made under Section 5.2 hereof.

Notwithstanding anything in this Section to the contrary, to the extent Mortgaged Property which does not consist of Improvements is damaged or destroyed and the outstanding principal amount of the Loan at such time does not exceed 80% of the fair market value of the remaining Mortgaged Property, as evidenced by an appraisal by a Member of the Appraisal Institute satisfactory to the Authority and the Trustee, the Health Institution shall not be required to repair or replace such property and shall be entitled to the Net Proceeds.

All Net Proceeds of insurance resulting from claims for losses may be used to redeem Correlative Bonds provided (i) all of the Correlative Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to prepay the Loan in full provided for in Article 10.1 hereof or (ii) in the event that less than all of the Correlative Bonds are to be redeemed, the Health Institution shall deposit with the Trustee any moneys necessary to redeem Correlative Bonds in integral multiples of \$1,000, shall furnish to the Authority and the Trustee a Consulting Architect's certificate stating (a) that the property forming a part of the Mortgaged Property damaged or destroyed is not essential to the Health Institution's use or occupancy of the Mortgaged Property, (b) that the Mortgaged Property has been restored to a condition substantially equivalent to its utility and condition prior to the damage or destruction and (c) in the case of Improvements, that other improvements have been acquired which are suitable for operation as a "health facility" within the meaning of the Act, and, unless all the Health Institution's Correlative Bonds of all Series are to be redeemed, shall furnish to the Authority and the Trustee a certificate of the Health Institution to the effect that failure to repair, rebuild or

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restore the damaged or destroyed Property will not have an adverse impact on any contract between the Health Institution or the Guarantor and an Applicable Department unless MBIA and the Authority consent thereto in writing.

**Section 8.2. Condemnation.** Unless the Health Institution shall have exercised its option to prepay the Loan in full pursuant to Article 10.1 hereof, in the event that title to, or the temporary use of, the Mortgaged Property, the Improvements, or any part thereof shall be taken under the exercise of the power of eminent domain or sold under threat of condemnation, the Health Institution shall be obligated to continue to make the Loan Payments and other payments required to be made under Section 5.2 hereof. All of such Net Proceeds shall be paid to and held by the Trustee in a separate trust account, to be applied to one or more of the following purposes as shall be directed in writing by the Health Institution:

(a) The restoration of the Mortgaged Property or Improvements to substantially the same utility and condition as it existed prior to such condemnation.

(b) The acquisition, by construction or otherwise, of other improvements of the same utility provided that if such improvements are not located on the Mortgaged Property, the Health Institution shall execute an amendment to this Agreement extending the lien of the mortgage herein to such improvements and the land upon which such improvements are located, provided however that in the event of condemnation or sale under threat of condemnation of any part of the Improvements, the other improvements must be suitable for operation as a health facility within the meaning of the Act and such other improvements must be used only in such way as does not violate Section 9.2 or 9.7 hereof.

(c) The redemption of the Correlative Bonds, provided that such condemnation award or payment received in a sale transaction consummated under threat of condemnation may be applied for such redemption and payment only if (i) all Net Proceeds of such award or payment shall be so applied and (ii) all of the Correlative Bonds are to be redeemed in accordance with the Indenture upon exercise of the option to prepay the Loan in full provided for in Article 10.1 hereof or in the event that less than all of the Correlative Bonds are to be redeemed, the Health Institution shall deposit with the Trustee any moneys necessary to redeem Correlative Bonds in integral multiples of \$1,000 and

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shall furnish to the Authority and the Trustee a Consulting Architect's certificate stating (a) that the property forming a part of the Mortgaged Property taken by such condemnation proceedings or so sold is not essential to the Health Institution's use or occupancy of the Mortgaged Property, (b) that the Mortgaged Property has been restored to a utility and condition substantially equivalent to its utility and condition prior to the taking by such condemnation proceedings or such sale, or (c) in the case of condemnation or sale of Improvements, other improvements have been acquired which are suitable for operation as a health facility.

Notwithstanding anything in this Section to the contrary, to the extent Mortgaged Property which does not consist of Improvements is condemned or sold under threat of condemnation and the outstanding principal amount of the Loan at such time does not exceed 80% of the fair market value of the remaining Mortgaged Property, as evidenced by an appraisal by a Member of the Appraisal Institute satisfactory to the Authority and the Trustee, the Health Institution shall not be required to replace such Property and shall be entitled to the Net Proceeds.

In the event the Health Institution elects either of the options set forth in subparagraph (a) or (b) of the first paragraph of this Section, the Trustee, upon receipt of a Consulting Architect's certificate supervising such repair, rebuilding or restoration that payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such condemnation award or payment to payment of the costs of such restoration, acquisition, or construction, as the work progresses.

In the event the Health Institution elects either of the options set forth in subparagraphs (a) or (b) of the first paragraph of this Section, and the Net Proceeds received from such condemnation or sale are insufficient to pay in full the cost of restoring, acquiring, or constructing improvements of substantially the same utility as the Mortgaged Property prior to the taking, the Health Institution will nonetheless complete the work thereon and will pay any costs thereof in excess of such Net Proceeds. The Health Institution shall not by reason of the payment of such excess costs be entitled to any reimbursement from the Authority, the Trustee, or the Owners or any postponement, abatement, or diminution of the Loan Payments and other payments required to be made under Section 5.2 hereof.

Unless the Health Institution has exercised its option to prepay the Loan in full pursuant to Article 10.1 hereof, within 90 days from the date of a final order in any eminent

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domain proceeding granting condemnation or after consummation of any sale under threat of condemnation, the Health Institution shall direct the Authority and the Trustee in writing which of the ways specified in this Section the Health Institution elects to have the Net Proceeds of the condemnation award or such payment applied. Any balance of the Net Proceeds of the award in such eminent domain proceedings or of such payment remaining after payment of all the costs of such restoration, acquisition, or construction shall be transferred (i) in the case of Net Proceeds relating to Improvements, to the Bond Fund and applied, together with such additional moneys, if any, which shall be supplied by the Health Institution as are necessary in order that the amounts so applied equal \$1,000 or any integral multiple thereof, to the redemption of Correlative Bonds on the next interest payment date, and (ii) in the case of Net Proceeds relating to the Mortgaged Property which does not consist of Improvements, to the Health Institution.

The Authority shall cooperate fully with the Health Institution in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Mortgaged Property or any part thereof. In no event will the Health Institution voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Mortgaged Property or any part thereof or any sale under threat of condemnation without the written consent of the Authority.

**Section 8.3. Investment of Net Proceeds.** Any Net Proceeds of insurance payments, condemnation awards or sales under threat of condemnation held by the Trustee pending restoration, repair or rebuilding shall be invested in Qualified Investments in the same manner as provided in Section 315 of the Indenture and shall be subject to the rebate requirements to the extent provided in the Indenture. Any earnings or profits on such investments shall be considered part of such Net Proceeds.

## ARTICLE IX

### DISCLAIMER OF WARRANTIES; USE OF THE IMPROVEMENTS; COVENANTS OF THE HEALTH INSTITUTION

**Section 9.1. Disclaimer of Warranties.** THE AUTHORITY, THE TRUSTEE AND MBIA MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE IMPROVEMENTS OR ANY PORTION THEREOF, OR ANY OTHER WARRANTY OR REPRESENTATION WITH RESPECT THERETO. In no event shall the Authority, the Trustee or MBIA be liable for any

incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or the Health Institution's use of the Improvements, or any item or products or services provided for in this Agreement.

The Health Institution's remedies for the breach of warranties or representations relating to any part of the Improvements shall not be against the Authority, the Trustee, MBIA or any Bondholder, but rather shall be against the vendors, manufacturer and construction contractors of the Improvements or other appropriate parties nor shall such matter have any effect whatsoever on the rights and obligations of the Health Institution, MBIA or the Authority with respect to this Loan. The Health Institution acknowledges that none of the Authority, the Trustee, the Health Institution or MBIA make, or have made, any representation or warranty whatsoever as to the existence or availability of any such warranties or representations of such vendors, manufacturers and construction contractors.

**Section 9.2. Use of the Improvements.** The Health Institution will not construct, acquire, install, use, operate or maintain the Improvements improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement or any approvals, certificates of exemption or findings of non-renewability by the Illinois Health Facilities Planning Board or any Applicable Department. The Health Institution shall provide all permits and licenses, if any, necessary for the construction, acquisition, installation and operation of the Improvements. In addition, the Health Institution agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Improvements) with all laws of the jurisdictions in which its operations involving any item of the Improvements may extend and all rules, regulations and orders of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Improvements or any portion thereof; provided, however, that the Health Institution may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the reasonable opinion of the Authority or the Trustee, adversely affect the interest or rights of the Authority or the Trustee under this Agreement.

The Health Institution will not use the Improvements or permit the Improvements to be used primarily for sectarian instruction or study or as a place of devotional activities or religious worship or as a facility used primarily in connection with any part of the program of a school or department of divinity for any religious denomination or the training of

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ministers, priests, rabbis or other similar persons in the field of religion or in a manner which is prohibited by the Establishment of Religion Clause of the First Amendment to the Constitution of the United States of America and the decisions of the United States Supreme Court interpreting the same or by any comparable provisions of the Constitution of the State and the decisions in the Supreme Court of the State interpreting the same or for any other purpose not permitted by the Act. The Health Institution will permit the Authority to make inspections of its properties to determine compliance with the provisions described in this paragraph. The provisions described in this paragraph shall remain in full force and effect notwithstanding the payment of the Note and the termination of the Agreement.

The Health Institution further agrees that it will not use the Improvements or suffer or permit the Improvements to be used in an Unrelated Trade or Business of the Health Institution or by any Private Person or in any manner or to any extent which could result in the loss of tax exemption of interest on the Bonds otherwise afforded under Section 103(a) of the Code or in a manner contrary to the provisions of Section 9.7 hereof or of any other Section of the Agreement intended to assure the continued maintenance of the exemptions of the interest on the Series A and B Bonds from federal income taxation to which such Bonds would otherwise be entitled.

The Health Institution will not permit any portion of the Improvements, including particularly any such portion consisting of motor vehicles, to be used outside the State of Illinois or allow any portion of the Improvements to be used, directly or indirectly, for the personal benefit of any trustee, director, officer, employee or agent of the Health Institution.

No portion of the Improvements will be used to provide residential rental property for family units unless prior to such use the Health Institution either signs and records a Regulatory Agreement with respect to the portion of the Improvements that are to be so used or delivers to the Trustee and the Authority an opinion of nationally reorganized municipal bond counsel acceptable to the Authority to the effect that failure to do so will not have an adverse impact on any exemption of interest on the Series A or B Bonds to which such Bonds would otherwise be entitled.

**Section 9.3. Annual Audit.** Within 180 days following the end of each fiscal year of the Health Institution, the Health Institution shall furnish to the Authority and the Trustee annual financial statements audited by an Accountant. Upon receipt by the Health Institution of any management letter from such Accountant, the Health Institution will notify the Authority and

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the Trustee that such management letter has been received and is available for inspection by the Authority and the Trustee at the offices of the Health Institution. The Health Institution will notify the Authority in writing of a change in its Accountant stating the reasons for such change. The Health Institution agrees that it will maintain proper books of records and accounts of its health care facilities with full, true, and correct entries of all of its dealings in accordance with generally accepted accounting principles.

**Section 9.4. Financial Covenants.** The Health Institution covenants and agrees to operate its facilities with respect to which it has a contract with any Applicable Department in full compliance with the terms of such contract and to operate all of its facilities on a revenue producing basis and to charge such fees and rates for its facilities and services and to exercise such skill and diligence as to provide income from its facilities together with other available funds sufficient to pay promptly all Loan Payments, all expenses of operation, maintenance and repair of its property and all other payments required to be made by it hereunder to the extent permitted by law.

**Section 9.5. Contracts with Applicable Departments.** The Health Institution covenants that throughout the term of this Agreement, it will maintain or cause the Guarantor to maintain, unless consented to in writing by MBIA, a contract with an Applicable Department for each portion of the Improvements financed or refinanced with Bond proceeds and for each of its facilities with respect to which it has a contract with any Applicable Department on the effective date hereof which contracts shall contain the provisions contained in Exhibit E hereto. The Health Institution also covenants to submit each such contract to the Authority, MBIA and the Trustee within thirty days after it has been fully executed and ratified by the Applicable Department or its designee.

The Health Institution further covenants to provide proper services under each such contract and to notify the Authority, the Trustee and MBIA of any material noncompliance with any such contract. The Health Institution also covenants to notify the Authority, the Trustee and MBIA of any withholding of contract payments by any Applicable Department and any reduction in such payments below that certified by the Trustee pursuant to Section 512 of the Indenture.

**Section 9.6. Exempt Status.** The Health Institution will maintain its status as an Illinois not for profit corporation, a Tax-Exempt Organization and an organization whose income is exempt from taxation under Illinois law, if and to the extent such Illinois statutes and regulations provide for such

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exemption, and will forthwith notify the Authority, the Trustee and MBIA of the happening of any event resulting in the loss of any such accreditation or status or placing the same in jeopardy.

**Section 9.7. Tax Covenants.** The Health Institution agrees that it will not act or fail to act in any manner which could adversely affect any exemption from federal income tax of the interest earned by the owners of the Series A and B Bonds to which such Bonds would otherwise be entitled. In addition, the covenants set forth in Exhibit I hereto are incorporated herein by reference to the same extent and with the same effect as if set forth herein.

**Section 9.8. Release of Mortgaged Property; Transfers.** Subject to the terms of the second paragraph hereof, so long as no default shall have occurred and be continuing under this Agreement or the Indenture, the Authority shall release any portion of the Mortgaged Property requested by the Health Institution from the Lien of this Agreement as long as after giving effect to the release, the outstanding principal amount of the Loan does not exceed 80% of the fair market value of the Mortgaged Property, as evidenced by an appraisal by a Member of the Appraisal Institute satisfactory to the Authority, the Trustee and MBIA. The Health Institution shall give notice to MBIA of any release pursuant to this Section.

The Health Institution covenants and agrees that it has not disposed of any of the Improvements to be refinanced with the proceeds of the Bonds and that it will not sell, lease or otherwise dispose (including without limitation any involuntary disposition) of any of the Improvements financed or refinanced with the proceeds of the Bonds unless (a) prior to such sale, lease or other disposition the Health Institution delivers to MBIA, the Trustee and the Authority a written opinion of nationally recognized municipal bond counsel (which counsel and opinion including, without limitation, the scope, form, substance and other aspects thereof, are acceptable to the Authority) to the effect that any such disposition will not adversely affect the validity of the Bonds or any exemption from federal income taxation of the interest paid on the Bonds to which such Bonds would otherwise be entitled, or (b) prior to such sale, lease or other disposition there is delivered to the Trustee an Officer's Certificate of the Health Institution stating that, in the judgment of such officer, such property has become inadequate, obsolete or worn out and that any amounts received by the Health Institution upon such disposition shall be applied as soon as reasonably practicable by the Health Institution to acquire additional property constituting a "health facility" under the Act. The Health Institution hereby agrees to apply the proceeds of any disposition referred to in a certificate of the type

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described in subsection (b) above as provided in such subsection and agrees that any property acquired with such proceeds, or any property received in kind as a result of such transfer, shall be deemed to be property financed or refinanced with the proceeds of the Bonds for the purposes of applying the provisions of this Agreement.

**Section 9.9. Limitations on Liens.** The Health Institution will not create, assume, incur, suffer or permit to exist, remain or be created, established, assumed or incurred, any Liens, charges, security interests or other encumbrances other than Permitted Encumbrances against the Mortgaged Property, the Improvements, the Pledged Accounts or the Additional Accounts including without limitation any Lien for labor or materials furnished in connection with any substitutions, additions, modifications and improvements made by it to the Mortgaged Property or the Improvements; provided, that if the Health Institution first notifies the Trustee and MBIA of its intention to do so, and if the Health Institution posts a bond with the Trustee in form satisfactory to the Trustee and MBIA the Health Institution may in good faith contest any mechanics' or other Liens filed or established against the Mortgaged Property, the Improvements, the Pledged Accounts or the Additional Accounts and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Mortgaged Property, the Improvements, the Pledged Accounts, the Additional Accounts or any part thereof will be subject to loss or forfeiture, in which event the Health Institution shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Authority will, at the expense of the Health Institution, cooperate fully with the Health Institution in any such contest.

The parties hereto recognize that this Agreement permits the creation of Liens on the Additional Accounts regardless of whether superior to, on a parity with or junior to the Lien created hereby and agree that any such Lien so created shall have such relationship to the Lien created hereby as is provided in the documentation creating such additional Lien and that the Authority and the Bond Trustee shall have the power to and may agree to such changes in financing statements and other agreements and documents related hereto as are necessary to grant such an additional Lien such status.

**Section 9.10. Termination of Program.** The Health Institution recognizes that the Authority has the right to discontinue the Program at any time or to substitute a new financing program therefor.

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## ARTICLE X

### OPTION TO PREPAY

**Section 10.1. Option to Prepay.** At the option of the Health Institution after giving the Authority, MBIA and the Trustee at least 30 days' written notice by registered or certified mail, the Health Institution may prepay the Loan in whole and this Agreement, except as specifically provided herein, shall terminate upon deposit with the Trustee of: (i) an amount, together with an amount transferred by the Trustee from the Series A Reserve Fund and the Series C Reserve Fund equal to the product of its Share of the Series A Reserve Fund and its Share of the Series C Reserve Fund times the amount then on deposit in the Series A Reserve Fund and Series C Reserve Fund, respectively, and with an amount transferred by the Trustee from the Supplemental Reserve Fund equal to its Pro Rata Share of the Supplemental Reserve Fund, if any, rounded up to the nearest \$1,000 if such amount is not \$1,000 or an integral multiple of \$1,000, which when taken together with the known minimum yield from the reinvestment of both such amounts in Government Obligations, is determined by the Trustee to be sufficient to pay principal, premium, if any, and interest on the Correlative Bonds and Bonds of the last maturity of the various series in an amount equal to the above described amount transferred out of the Series A Reserve Fund and the Series C Reserve Fund; (ii) such additional amount as is necessary to provide for the payment in accordance with Article IX of the Indenture of the Bonds to be paid or redeemed (which together with the amounts referred to in (i) above shall be deposited in escrow to provide for such payment); (iii) its Pro Rata Share of Expenses with respect to the Series A Bonds, Series B Bonds and Series C Bonds from the date of such deposit with the Trustee to the date or dates the Bonds payable out of such escrow mature or are to be redeemed; and (iv) an amount equal to any reduction in the Series A Reserve Fund, the Series C Reserve Fund or Supplemental Reserve Fund exceeding the product of the Health Institution's Share of the Series A Reserve Fund and its Share of the Series C Reserve Fund times the amount then on deposit in the Series A Reserve Fund and the Series C Reserve Fund, respectively, and its Pro Rata Share of the Supplemental Reserve Fund, which excess reduction results from the liquidation of securities therein in order to make the transfer therefrom provided in subsection (i) above which amount shall be deposited in the respective Fund in which such excess reduction occurred. In addition, such termination shall not occur until the Health Institution pays or causes to be paid all other sums payable by it hereunder and under the Indenture or makes arrangements satisfactory to the Authority for such payment and until the amounts so deposited to provide for payment of the Bonds become Eligible Moneys to the extent that the Indenture requires that the Bonds to be paid or redeemed be paid or redeemed with amounts which are Eligible Moneys. Furthermore,

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the Health Institution agrees that its obligation to pay its Pro Rata Share of the Rebate Amount shall extend to the October 24, 1993, 1998 or 2003 next succeeding the date of such prepayment.

At the option of the Health Institution after giving the Authority, MBIA and the Trustee at least 30 days' written notice by registered or certified mail, the Health Institution may prepay the Loan in part upon deposit with the Trustee of an amount which when taken together with the known minimum yield from the reinvestment of such amount in Government Obligations, is determined by the Trustee to be sufficient to pay the principal of (in integral multiples of \$1,000), premium, if any, and interest on any portion of Correlative Bonds then outstanding under the Indenture from the date of such deposit with the Trustee to the date or dates such Bonds mature or are to be redeemed, provided, however, that prior to any partial prepayment by the Health Institution, the Authority shall have received, in form satisfactory to it, modifications to Exhibit D hereto showing payments sufficient to pay the Loan outstanding after such partial prepayment.

Upon any prepayment pursuant to this Article, the Trustee shall use the moneys so paid to it by the Health Institution to pay the Bonds on regularly scheduled payment dates, or redemption date, as the case may be.

#### ARTICLE XI

##### ASSIGNMENT AND INDEMNIFICATION

**Section 11.1. Assignment of the Authority.** The Authority may assign its interest in and pledge any moneys receivable under this Agreement to the Trustee pursuant to the Indenture as security for the payment of the principal of, premium, if any, and interest on the Correlative Bonds. The Health Institution consents to such assignment and pledge.

**Section 11.2. Assignment by the Health Institution.** This Agreement may not be assigned nor may the obligations of the Health Institution hereunder be assumed by another entity without the express written consent of the Authority, MBIA and the Trustee and receipt by the Trustee of an opinion of nationally recognized municipal bond counsel to the effect that such assignment shall not affect the validity of the Bonds or impair the exemption from federal income taxation of interest on the Series A or B Bonds.

**Section 11.3. Indemnification.** The Health Institution agrees to protect and defend the Authority, MBIA, the Underwriters, the State, agencies of the State, members, servants, directors, officers, employees, other agents, and each person, if any, who has the power directly or indirectly, to

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direct or cause the direction of the management and policies, now or hereafter, of the State, MBIA, the Underwriters, or the Authority and further agrees to release from, pay and hold the aforesaid harmless from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees), judgments, claims, demands, suits, actions or other proceedings of whatsoever kind or nature (including, without limitation, those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of any person or any damage to property) in any manner directly or indirectly (in any case, whether or not by way of the Health Institution or its successors and assigns, or directly or indirectly through the agents, contractors, employees, licensees or otherwise of the Health Institution or its successors and assigns), arising or purportedly arising from, out of, or in connection with, the Loan, this Agreement, the Indenture, the Correlative Bonds, the breach or violation of any agreement, covenant, representation or warranty of the Health Institution set forth herein or in any document delivered pursuant hereto or in connection herewith, or the transactions contemplated thereby, the Improvements, or the ownership or the operation of the Improvements or the Mortgaged Property; provided, however, that the obligation of the Health Institution pursuant to this Section 11.3 shall not apply in any event arising out of the gross negligence or the willful misconduct of any such indemnified party. The obligations of the Health Institution under this Section shall survive the termination of this Agreement.

To the extent permitted by law, such indemnity shall not be restricted in any way by any limitation on the amount or type of damages, compensation or benefits payable under any worker's compensation acts, disability benefit acts, or other employee benefits acts or any other similar laws.

An indemnified person shall promptly notify the Health Institution in writing of any claim or action brought against it, in respect of which indemnity may be sought against the Health Institution, setting forth, to the extent reasonably practicable under the circumstances, the particulars of such claim or action, and the Health Institution will promptly assume the defense thereof, including the employment of counsel satisfactory to such indemnified person and the payment of all reasonable expenses.

An indemnified person may employ separate counsel with respect to any such claim or action and participate in the defense thereof, but, except as provided herein, the fees and expenses of such separate counsel shall not be payable by the Health Institution unless such employment has been specifically authorized by the Health Institution. If the Health Institution shall fail to assume the defense of any action as required

hereunder, or, within a reasonable time after commencement of such action, to retain counsel satisfactory to the indemnified person, the reasonable fees and expenses of counsel to such indemnified person hereunder shall be paid by the Health Institution.

The Health Institution agrees to pay to, or on behalf of, the Authority such reasonable costs and expenses as may be incurred by the Authority in performing its covenants under this Loan Agreement and under the Indenture to the extent not paid from the proceeds of the Bonds. In no event shall the Health Institution be liable for any such costs and expenses due the Authority, MBIA, the Trustee or any Paying Agent in excess of its Pro Rata Share of Expenses.

All amounts payable to or with respect to the Authority under this Section shall be deemed to be fees and expenses of the Authority for the purposes of the provisions hereof and of the Indenture dealing with assignment of the Authority's rights hereunder.

#### ARTICLE XII

#### EVENTS OF DEFAULT AND REMEDIES

Section 12.1. Events of Default Defined. The following shall be "Events of Default" under this Agreement and the terms "Events of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Health Institution to pay or cause to be paid any Loan Payment or other payment required to be paid hereunder at the time specified herein and the continuance of such failure for five days;

(b) Failure by the Health Institution to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 12.1(a) hereof, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied is given to the Health Institution by the Authority, MBIA or the Trustee, unless the Authority, MBIA and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Authority, MBIA and the Trustee but

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cannot be corrected within the applicable period, the Authority, MBIA and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Health Institution within the applicable period and diligently pursued until the Default is corrected;

(c) Any warranty, representation or other statement by or on behalf of the Health Institution contained in this Loan Agreement or in any instrument or certificate furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect;

(d) A petition is filed against the Health Institution under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 30 days after such filing;

(e) The Health Institution files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(f) The Health Institution admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or approves or consents to the appointment of a custodian (including without limitation a receiver, liquidator or trustee) of the Health Institution or any of its property; or if a trustee, custodian, or receiver is appointed by court order for or takes possession of the Health Institution or any of its property and such appointment remains in effect or such possession continues for more than 30 days;

(g) if bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, proceedings under Title 11 of the United States Code, as amended, or other proceedings for relief under any bankruptcy law or similar law for the relief of debtors are instituted by or against the Health Institution (other than third parties), and if instituted against the

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Health Institution are allowed against the Health Institution or are consented to or are not dismissed, stayed or otherwise nullified within 30 days after such institution; or

(h) The loss or reduction without the written consent thereto of MBIA of one or more State Contracts between the Health Institution or any Guarantor and an Applicable Department which losses or reductions in the aggregate cause the current annual revenues (calculated on the basis of a year commencing July 1 and ending on the next succeeding June 30) of the Health Institution and all Guarantors from all State Contracts to fall below the then current annual Loan Payments payable hereunder (calculated on the basis of a year commencing July 1 and ending on the next succeeding June 30); provided however, that the above-described loss of State Contract revenues shall not constitute an Event of Default hereunder until 90 days after the date on which the Health Institution receives notice of such loss.

**Section 12.2. Remedies on Default.** Whenever any Event of Default referred to in Section 12.1 hereof shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at the direction or with the written consent of MBIA, without any further demand or notice, to take one or any combination of the following remedial steps:

(a) Declare all Loan Payments and all other amounts due hereunder to be immediately due and payable, whereupon the same shall become immediately due and payable by Health Institution;

(b) Foreclose on all or any portion of the Mortgaged Property and exercise all the rights and remedies of a secured party under the Illinois Uniform Commercial Code, as amended, with respect thereto;

(c) Realize upon the security interest in the Pledged Accounts and Additional Accounts and exercise all the rights and remedies of a secured party under the Illinois Uniform Commercial Code, as amended, with respect thereto;

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce any obligations, agreements or covenants of the Health Institution hereunder or any of its rights hereunder.

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**Section 12.3. Attorneys' Fees and Other Expenses.** The Health Institution shall on demand pay to the Authority, MBIA and the Trustee the reasonable fees and expenses of attorneys and other reasonable expenses incurred by the Authority, MBIA, the Trustee or their attorneys in the collection of Loan Payments or any other sums due hereunder or the enforcement of performance of any other obligations of the Health Institution upon an Event of Default. The foregoing covenant shall remain in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of this Agreement for any reason until such covenant is satisfied.

**Section 12.4. Foreclosure and Sale of Mortgaged Property.** In the event of any sale made under or by virtue of judicial proceedings or decree of foreclosure and sale, or as permitted by law, the whole of the Mortgaged Property may be sold in one parcel and as an entirety, or in separate parcels or lots, as the Authority may determine.

**Section 12.5. Sale A Bar.** Any sale or sales pursuant to Section 12.4 hereof shall operate to divest all estate, right, title, interest, claim or demand whatsoever, whether at law or in equity, of the Health Institution, in and to the premises, property, privileges and rights so sold, and shall be a perpetual bar both at law and in equity against the Health Institution, its successors and assigns, and against any and all persons claiming or who may claim the same, or any part thereof, from, through or under the Health Institution, its successors or assigns.

**Section 12.6. Receipt Sufficient Discharge for Purchaser.** The receipt of the Authority or of the court officer conducting any such sale for the purchase money paid at any such sale shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid; and no such purchaser or his representatives, grantees or assigns, after paying such purchase money and receiving such a receipt, shall be bound to see to the application of such purchase money upon or for purpose of this Agreement, or shall be answerable in any manner whatsoever for any loss, misapplication or non-application of any such purchase money or any part thereof, nor shall any such purchaser be bound to inquire as to the necessity or expediency of any such sale.

**Section 12.7. Application of Proceeds of Sale.** The purchase money, proceeds or avails of any such sale, together with any other sums which then may be held by the Authority under this Agreement as part of the Mortgaged Property or the proceeds thereof, whether under the provisions of this Article or otherwise, shall be applied as follows:



**FIRST:** To the payment of the costs and expenses of such sale, including reasonable compensation to the Authority, the Trustee and MBIA, their agents, attorneys and counsel, and the expenses of any judicial proceedings wherein the same may be made, and of all expenses, liabilities and advances made or incurred by the Authority as permitted by this Agreement, together with interest at the prime rate per annum then being charged by the Trustee, on all advances made by the Authority, the Trustee or MBIA, and to the payment of all taxes, assessments or liens prior to the lien of this Agreement, except any taxes, assessments, liens, or other charges, subject to which the property shall have been sold.

**SECOND:** To the payment of amounts, if any, payable into the Rebate Fund pursuant to Section 5.2(c) hereof.

**THIRD:** To the payment of the whole amount then due, owing and unpaid hereunder for the principal, interest and premium, if any; and in the case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid hereunder, then ratably according to the aggregate of such principal and the accrued and unpaid interest and premium, if any, without preference or priority as between principal, interest or premium.

**FOURTH:** To the payment of any other sums required to be paid by the Health Institution pursuant to any provisions hereof.

**FIFTH:** To the payment of any amounts then due and owing to MBIA including without limitation any amounts due and owing to MBIA pursuant to Section 210 of the Indenture.

**SIXTH:** To the payment of the surplus, if any, to the Health Institution, its successors or assigns, upon the written request of the Health Institution or to whomsoever may be lawfully entitled to receive the same upon its written request, or as any court of competent jurisdiction may direct.

**Section 12.8. Purchase of Mortgaged Property by Owners or Trustee.** Upon the occurrence of an event of default under this Agreement, the lien on the Mortgaged Property created hereby and assigned to the Trustee by the Indenture may be

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foreclosed. If sold at public sale, any Owner or the Trustee may bid for and purchase the Mortgaged Property and, upon compliance with the terms of the sale, may hold, retain, possess and dispose of such property in his or her own absolute right without further accountability. If the Trustee shall acquire title to the Mortgaged Property as a result of any such foreclosure sale, or any proceedings or transaction in lieu of foreclosure, the Trustee may thereafter take any lawful action with respect to the Mortgaged Property which it shall deem to be in the best interest of the Owners, including but not limited to: (i) the enforcement of all rights and remedies set forth herein and the taking of all rights and remedies set forth herein and the taking of all other courses of action permitted herein, and (ii) the sale of the Mortgaged Property, or any portion thereof.

**Section 12.9. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in this Article XII it shall not be necessary to give any notice, other than such notice as may be required in this Article XII.

**Section 12.10. Notice of Default.** The Health Institution agrees to give the Trustee, MBIA and the Authority prompt written notice if any petition referred to in Section 12.1(d) or 12.1(e) is filed by or against the Health Institution, if any appointment or taking possession as in Section 12.1(f) occurs or if proceedings of the type referred to in Section 12.1(g) are instituted or of the occurrence of any other event or condition which with the passage of time or the giving of notice, or both, would constitute an Event of Default immediately upon becoming aware of the existence thereof.

**Section 12.11. Waiver.** In the event any agreement contained in this Agreement should be breached by any party and thereafter waived by any other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Authority's rights in and under this Agreement to the Trustee under the Indenture, the Authority shall have no power to waive any Event of Default hereunder without the consent of the Trustee. In addition, the consent of MBIA shall in any event be

required for any waiver by the Trustee. Notwithstanding the foregoing, a waiver of an Event of Default under the Indenture or a rescission and annulment of its consequences shall constitute a waiver of the corresponding event of default under this Agreement and a rescission and annulment of its consequences; provided, that no such waiver or rescission shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

Section 12.12. Waiver of Appraisalment, Valuation, Stay, Execution, and Redemption Laws. The Health Institution agrees, to the extent permitted by law, that in the case of the occurrence of an Event of Default, neither the Health Institution nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisalment, valuation, stay, extension, exemption or redemption laws now or hereafter in force in order to prevent or hinder the enforcement or foreclosure of the lien on this Agreement, or the absolute sale of the Mortgaged Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereof; and the Health Institution, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully do so, the benefit of all such laws, and any and all right to have the estates comprising the security intended to be hereby created marshalled upon any foreclosure of the lien hereof and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the Mortgaged Property as an entirety.

Section 12.13. Remedies Subject to Provisions of Law. All right, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of the law of the State and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of the law of the State which may be controlling and to be limited to the extent necessary so that they will not render this Agreement invalid or unenforceable under the provisions of any applicable law.

**ARTICLE XIII**

**MISCELLANEOUS**

Section 13.1. Notices; Authorized Representative. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Authority, at 35 East Wacker Drive, Suite 2188, Chicago, Illinois 60601 Attention:

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Executive Director; if to the Health Institution, at the address set forth in Exhibit K hereto; if to MBIA, at 445 Hamilton Avenue, White Plains, New York 10602, Attention: Surveillance Department; and if to the Trustee, at American National Bank and Trust Company of Chicago, 33 North LaSalle Street, Chicago, Illinois 60690, Attention: Corporate Trust Department. A duplicate copy of each notice, certificate or other communication given hereunder by the Authority or the Health Institution shall also be given to the Trustee (and MBIA to the extent provided herein and in the Indenture). The Authority, the Health Institution, MBIA and the Trustee may, by notice hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**Section 13.2. Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon the Authority and the Health Institution and their respective successors and assigns.

**Section 13.3. Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 13.4. Amendments, Changes and Modifications.** This Agreement may be amended by the Authority and the Health Institution as provided in Article VIII of the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to by the Trustee and, to the extent required in Article VIII of the Indenture, MBIA.

**Section 13.5. Rights of MBIA Terminate Upon Default Under Bond Insurance Policy.** Notwithstanding any other provision hereof, any rights granted to or conferred upon MBIA hereunder shall be in effect only so long as MBIA is not in default under any Bond Insurance Policy, and upon any such default by MBIA and the continuance thereof its rights hereunder (including without limitation any rights of consent or direction it may have) shall be suspended and may not be exercised (except to the extent of subrogation for any payments under any Bond Insurance Policy theretofore made by MBIA).

**Section 13.6. Execution in Counterparts.** This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 13.7. Governing Law; Time of Essence.** This Agreement shall be governed by and construed in accordance with the laws of the State. Time is of the essence of this Agreement.

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**Section 13.8. Benefit of Bondholders and MBIA; Compliance with Indenture.** This Agreement is executed in part to induce the purchase by others of the Bonds, the issuance by MBIA of the Bond Insurance Policies and, accordingly, all covenants, agreements and representations on the part of the Health Institution and the Authority, as set forth in this Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds, and for the benefit of MBIA. The Health Institution covenants and agrees to do all things within its power in order to comply with and to enable the Authority to comply with all requirements and to fulfill and to enable the Authority to fulfill all covenants of the Indenture.

**Section 13.9. Consents and Approvals.** Whenever the written consent or approval of the Authority shall be required under the provisions of this Agreement, such consent or approval may be given by the Executive Director of the Authority or such other additional person provided by law or by rules or regulations of the Authority.

**Section 13.10. Immunity of Officers, Employees and Members of Authority.** No recourse shall be had for the payment of the principal of or interest owing hereunder or for any claim based hereon or upon any representation, obligation, covenant or agreement in this Agreement contained against any past, present or future officer, member, employee, director or agent of the Authority or of any successor public corporation thereto, as such, either directly or through the Authority or any successor public corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Agreement.

**Section 13.11. No Pecuniary Liability of the Authority.** No provision, covenant, or agreement contained in this Agreement, or any obligations herein imposed upon the Authority, or the breach thereof, shall constitute an indebtedness or liability of the Authority within the meaning of any Illinois constitutional provision or statutory limitation or shall constitute or give rise to a pecuniary liability of the Authority or any director, member, officer or agent of the Authority or a charge against the Authority's general credit. In making the agreements, provisions and covenants set forth in this Agreement, the Authority has not obligated itself except with respect to the Improvements and the application of the revenues, income and all other property therefrom, as hereinabove provided.

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**Section 13.12. Cancellation at Expiration of Term of Agreement.** Upon the expiration of the term of this Agreement, the Authority shall deliver to the Health Institution any documents and take or cause the Trustee to take such actions as may be necessary to evidence the termination of this Agreement and the discharge of the lien hereof.

**Section 13.13. Captions.** The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

**Section 13.14. Payments Due on Holidays.** If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Agreement, shall not be a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Agreement.

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IN WITNESS WHEREOF, the Authority has caused this Agreement to be executed in its corporate name with its corporate seal hereto affixed and attested by its duly authorized officers and the Health Institution has caused this Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

ILLINOIS HEALTH FACILITIES  
AUTHORITY

John P. Dailey  
Chairman

(SEAL)

Attest:

Randy S. Merem  
Executive Director

ARRISE, INC.

Herbert D. Williams

(SEAL)

Attest:

Rox E. Gartner

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STATE OF ILLINOIS )  
                          ) SS  
COUNTY OF COOK    )

I, Teresa M. Ullrich, a Notary Public, do hereby certify that John P. Dailey and Barry S. Maram, personally known to me to be the same persons whose names are, respectively, as Chairman and Executive Director of the ILLINOIS HEALTH FACILITIES AUTHORITY, a body politic and corporate, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said Authority, and delivered the said instrument as the free and voluntary act of said Authority and as their own free and voluntary act, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of September, 1988.

Teresa M. Ullrich  
Notary Public

(SEAL)

My commission expires: My Commission Expires May 1, 1989

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STATE OF ILLINOIS            )  
  ) SS  
COUNTY OF COOK            )

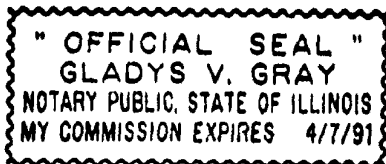
I, Gladys V. Gray, a Notary Public, do hereby certify that Herbert Williams and Lois Gartner, personally known to me to be the same persons whose names are, respectively, as President and Secretary of **ARRISE, INC.**, an Illinois not for profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 29th day of September, 1988.

Gladys V. Gray  
Notary Public

(SEAL)

My commission expires:



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**Arrise, Inc.**

## **EXHIBIT A**

### **Loan Amount and Deposit of Funds**

#### **Series A and B Bonds**

Loan Amount:	\$97,000.00
Less Underwriting and Original Issue Discount:	\$2,297.61
Deposit to Acquisition Subaccount:	\$94,702.39
Transfer Costs of Insurance to Expense Fund:	\$1,193.30
Net Amount in Acquisition Subaccount:	\$93,509.09

#### **Series C Bonds**

Loan Amount:	\$2,000.00
Less Underwriting and Original Issue Discount:	\$57.18
Deposit to Series C Expense Fund:	\$942.82
Deposit to Acquisition Subaccount:	\$1,000.00
Transfer to Interest Accumulation Account:	\$0
Net Amount in Acquisition Subaccount:	\$1,000.00

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## EXHIBIT B - MORTGAGED PROPERTY

Any building or buildings and all fixtures, heating and air conditioning equipment and all other machinery and equipment affixed to the following parcels of land:

Land and building located at 702 S. Maple Ave., Oak Park, Illinois 60304.

Lot 1 in Block 11 in W. J. Wilson's addition to Oak Park, being a subdivision of Lot 1 (Except of the 40 acres thereof) in Murphy's Subdivision of said Section 18, Township 39 North Range 13 East of the Third Principal Meridian (except the West  $\frac{1}{2}$  of the South West  $\frac{1}{4}$  thereof) in Cook County, Illinois.

Permanent Index Number 16-18-118-001-000 TP CBO.

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## EXHIBIT C - PERMITTED ENCUMBRANCES

[As per title commitment, including:]

NONE

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ILLINOIS  
01/00/00  
12:00 AM

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BORROWER

NO. 289 ZARRHE, INC. 931

TOTAL COMBINED  
SEMI-ANNUAL PAYMENTS

	TOTAL COMBINED SEMI-ANNUAL PAYMENTS		TOTAL ANNUAL PAYMENT
	PRINCIPAL	INTEREST	
02/15/89		3,667.00	
08/15/89	.0	3,667.00	7,334.00
02/15/90		3,667.00	
08/15/90	3,000	3,667.00	10,334.00
02/15/91		3,574.00	
08/15/91	6,000	3,574.00	13,148.00
02/15/92		3,382.00	
08/15/92	5,000	3,382.00	11,764.00
02/15/93		3,217.00	
08/15/93	5,000	3,217.00	11,434.00
02/15/94		3,047.00	
08/15/94	6,000	3,047.00	12,094.00
02/15/95		2,837.00	
08/15/95	5,000	2,837.00	10,674.00
02/15/96		2,659.50	
08/15/96	6,000	2,659.50	11,319.00
02/15/97		2,443.50	
08/15/97	7,000	2,443.50	11,887.00
02/15/98		2,188.00	
08/15/98	8,000	2,188.00	12,376.00
02/15/99		1,892.00	
08/15/99	8,000	1,892.00	11,784.00
02/15/2000		1,592.00	
08/15/2000	9,000	1,592.00	11,184.00
02/15/2001		1,288.00	
08/15/2001	9,000	1,288.00	11,576.00
02/15/2002		932.50	
08/15/2002	10,000	932.50	11,865.00
02/15/2003		537.50	
08/15/2003	13,000	537.50	14,075.00
	99,000	75,561.00	172,848.00

AVERAGE LOAN INTEREST RATE 7.6368%

	ACCRUED INTEREST	
T.E. SERIES	1,378.79	
TAXABLE SERIES	-84.44	37.05
TOTAL CREDIT	4,468.90	<u>1415.84</u>

FIRST YEARS PAYMENT	7,334.00	
LESS ACCRUED INTEREST CREDIT	<del>4,468.90</del>	1415.84
NET FIRST YEAR PAYMENT	2,865.10	5,918.12
	DIVIDED BY 9 MONTHS	
MONTHLY PAYMENT (FIRST YEAR)	<del>662.34</del>	<u>657.57</u>

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## EXHIBIT E

### COMMUNITY PROVIDER POOLED LOAN

The terms and conditions set forth in this "Community Provider Pooled Loan" Exhibit shall be in addition to those contained in the principal Agreement to which it is attached. In the event of a conflict between the terms of the principal Agreement and this Exhibit, the terms of this Exhibit shall supersede and govern.

#### SECTION A GENERAL PROVISIONS

The Provider has entered into a loan agreement (as defined in Section C herein) with the Illinois Health Facilities Authority (The "Authority"), for the amount of \$ \_\_\_\_\_ for the purpose of providing permanent financing for certain facilities of the Provider.

#### SECTION B BASIS OF PAYMENT

The Provider agrees and hereby gives notice to the Department that the Debt Service and Expense Portion as defined in Section C of this Exhibit is \$ \_\_\_\_\_ and that such amount shall be deducted on a monthly basis on or before the 10th of each month in amounts equal to 1/3 of the Debt Service and Expense Portion in the months of October, November, December, January, February, March, April, May, and June from available funds payable by the Department to the Provider for services delivered under this Agreement. Such deductions shall be paid to:

American National Bank  
33 N. LaSalle  
Chicago, Illinois  
60690

as trustee (the "Trustee"), under an Indenture of Trust dated as of \_\_\_\_\_ between the Trustee and the Authority (the "Indenture"). The monthly deductions for the Debt Service and Expense Portion shall be made on a first priority basis and shall be made by the Department and paid to the

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Trustee before payments are made to the Provider for services rendered.

## SECTION C

### DEBT SERVICE AND EXPENSE PORTION UNDER THE LOAN AGREEMENT

The Provider acknowledges that it has entered into that certain Mortgage and Loan Agreement dated as of \_\_\_\_\_ between the Provider and the Illinois Health Facilities Authority (the "Loan Agreement"). The Provider

- a. The Debt Service and Expense Portion under the loan for this contract year beginning July 1, \_\_\_\_\_, and ending June 30, \_\_\_\_\_, is \$ \_\_\_\_\_, which results in monthly payments to the Trustee of \$ \_\_\_\_\_ for the months of October, November, December, January, February, March, April, May, and June.
- b. The Debt Service and Expense Portion will be deducted on a monthly basis in amounts set forth in Paragraph a. above. Such deductions shall be on a priority basis and shall be paid to the Trustee before all other payments under this Agreement are permitted to the Provider.
- c. The Debt Service and Expense Portion shall remain in effect despite any noncompliance with the terms set forth in this Agreement resulting in the Provider becoming subject to any termination or penalty provisions, provided that, the Department will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the provider under this contract.
- d. The Department will not, regardless of any downward monetary adjustment, reduce the Debt Service and Expense Portion which shall remain at the level specified in paragraph a. above, provided that sufficient funds are available under this Agreement.

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AGREEMENT NO: \_\_\_\_\_

Page 3

## SECTION D LIMITATION

The Provider expressly acknowledges that the provisions of this Exhibit I shall be subject to the full force and effect of Article IV of the Agreement between the Provider and the Department of which this Exhibit I is a part.

FOR THE DEPARTMENT:

FOR THE PROVIDER:

BY: \_\_\_\_\_

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

DATE: \_\_\_\_\_

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12. If a Skilled Nursing Facility is participating, or seeking to participate, in both Title XVIII (Medicare) and Title XIX (Medicaid), a decision by the Department of Health and Human Services (HHS) to deny, terminate or refuse participation under Medicare shall be binding on the Department of Public Aid and Public Health and the Facility for purposes of Medicaid participation for Skilled Nursing Care patients. The Facility shall be entitled to any applicable notice and hearing requirements specified in the Medicare regulations through HHS.
13. The Facility agrees to disclose, to the Department of Public Health, ownership and control information.
14. The Facility acknowledges that it has entered into that certain Mortgage and Loan Agreement dated August 1, 1988, between the Facility and the Illinois Health Facilities Authority (the "Loan Agreement") in the amount of \$ \_\_\_\_\_. The facility hereby agrees that:
  - a. The Debt Service and Expense Portion under the Loan Agreement for the term of this Nursing Home Agreement is \$ \_\_\_\_\_ which results in payments to American National Bank and Trust Company of Chicago as Trustee ("Trustee") of \$ \_\_\_\_\_ for each of the months from September through April [August through April after the first year].
  - b. The Debt Service and Expense Portion will be deducted on a monthly basis and remitted to the Trustee as set forth in paragraph (a) above. Such deductions shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Nursing Home Agreement are remitted to the Facility.
  - c. The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Agreement resulting in Facility becoming subject to any termination and penalty provisions, provided that, the Department of Public Aid will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Facility under this Agreement.
  - d. The Department of Public Aid will not, regardless of any downward rate adjustment, reduce the Debt Service and Expense Portion which shall remain at the level specified in paragraph (a) above, provided that sufficient funds are available under this Agreement.
  - e. The Facility hereby certifies that any savings derived from the refinancing of its capital debt through the loan with the Illinois Health Facilities Authority will be entirely devoted to adding or enhancing services to be provided to Medicaid recipients.

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- f. The Facility agrees to submit to the Department of Public Aid upon execution of this Agreement a plan for the use of the funds saved through refinancing. Such plan shall indicate the services that will be added or enhanced, and the expected cost of such services. The Facility may amend the plan at any time during the term of this Agreement. The Department will approve the plan and any amendment thereto so long as the plan shows that the funds saved through the refinancing are being used to add or enhance services to Medicaid patients.
- g. In the event that the Facility is sold, transferred, or otherwise undergoes a change of ownership, the parties agree that this Agreement shall automatically be assigned to the new owner, who also will become subject to terms of the loan provided by the Illinois Health Facilities Authority to the Facility and who must be a 501(c)(3) organization with a contract with the Department. The Facility agrees that it shall provide the Department of Public Aid with the earliest advance notice of any proposed sale or transfer, and agrees to notify any purchaser of the provisions of this Nursing Home Agreement.

15. Complete Facility Name: \_\_\_\_\_

Address: \_\_\_\_\_

STREET

\_\_\_\_\_

CITY

STATE \_\_\_\_\_ ZIP CODE \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE --- Administrator

Of Cook County Clerk's Office

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12. If a Skilled Nursing Facility is participating, or seeking to participate, in both Title XVIII (Medicare) and Title XIX (Medicaid), a decision by the Department of Health and Human Services (HHS) to deny, terminate or refuse participation under Medicare shall be binding on the Department of Public Aid and Public Health and the Facility for purposes of Medicaid participation for Skilled Nursing Care patients. The Facility shall be entitled to any applicable notice and hearing requirements specified in the Medicare regulations through HHS.
13. The Facility agrees to disclose, to the Department of Public Health, ownership and control information.
14. The Facility acknowledges that it has entered into that certain Mortgage and Loan Agreement dated August 1, 1988, between the Facility and the Illinois Health Facilities Authority (the "Loan Agreement") in the amount of \$ \_\_\_\_\_. The facility hereby agrees that:
  - a. The Debt Service and Expense Portion under the Loan Agreement for the term of this Nursing Home Agreement is \$ \_\_\_\_\_ which results in payments to American National Bank and Trust Company of Chicago as Trustee ("Trustee") of \$ \_\_\_\_\_ for each of the months from September through April [August through April after the first year].
  - b. The Debt Service and Expense Portion will be deducted on a monthly basis and remitted to the Trustee as set forth in paragraph (a) above. Such deductions shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Nursing Home Agreement are remitted to the Facility.
  - c. The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Agreement resulting in Facility becoming subject to any termination and penalty provisions, provided that, the Department of Public Aid will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Facility under this Agreement.
  - d. The Department of Public Aid will not, regardless of any downward rate adjustment, reduce the Debt Service and Expense Portion which shall remain at the level specified in paragraph (a) above, provided that sufficient funds are available under this Agreement.
  - e. The Facility hereby certifies that the loan from the Illinois Health Facilities Authority will be devoted to the construction or renovation of a facility which will participate in the Medicaid program and will serve a population of residents of which at least seventy-five percent are Medicaid recipients.

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- f. The Facility agrees to submit to the Department of Public Aid upon execution of this Agreement a plan for the use of the loan funds. Such plan shall indicate when construction or renovation will begin, the expected completion date of the construction, the total number of residents to be served by the facility, and the number of Medicaid recipients to be served.
- g. In the event that the Facility is sold, transferred, or otherwise undergoes a change of ownership, the parties agree that this Agreement shall automatically be assigned to the new owner, who also will become subject to terms of the loan provided by the Illinois Health Facilities Authority to the Facility and who must be a 501(c)(3) organization with a contract with the Department. The Facility agrees that it shall provide the Department of Public Aid with the earliest advance notice of any proposed sale or transfer, and agrees to notify any purchaser of the provisions of this Nursing Home Agreement.

15. Complete Facility Name: \_\_\_\_\_

Address: \_\_\_\_\_

STREET

CITY

STATE

ZIP CODE

\_\_\_\_\_  
SIGNATURE — Administrator

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12. If a Skilled Nursing Facility is participating, or seeking to participate, in both Title XVIII (Medicare) and Title XIX (Medicaid), a decision by the Department of Health and Human Services (HHS) to deny, terminate or refuse participation under Medicare shall be binding on the Department of Public Aid and Public Health and the Facility for purposes of Medicaid participation for Skilled Nursing Care patients. The Facility shall be entitled to any applicable notice and hearing requirements specified in the Medicare regulations through HHS.
13. The Facility agrees to disclose, to the Department of Public Health, ownership and control information.
14. The Facility acknowledges that it has entered into that certain Mortgage and Loan Agreement dated August 1, 1988, between the Facility and the Illinois Health Facilities Authority (the "Loan Agreement") in the amount of \$ \_\_\_\_\_. The facility hereby agrees that:
- a. The Debt Service and Expense Portion under the Loan Agreement for the term of this Nursing Home Agreement is \$ \_\_\_\_\_ which results in payments to American National Bank and Trust Company of Chicago as Trustee ("Trustee") of \$ \_\_\_\_\_ for each of the months from September through April [August through April after the first year].
  - b. The Debt Service and Expense Portion will be deducted on a monthly basis and remitted to the Trustee as set forth in paragraph (a) above. Such deductions shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Nursing Home Agreement are remitted to the Facility.
  - c. The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Agreement resulting in Facility becoming subject to any termination and penalty provisions, provided that, the Department of Public Aid will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Facility under this Agreement.
  - d. The Department of Public Aid will not, regardless of any downward rate adjustment, reduce the Debt Service and Expense Portion which shall remain at the level specified in paragraph (a) above, provided that sufficient funds are available under this Agreement.
  - e. The Facility hereby certifies that any savings derived from the refinancing of its capital debt through the loan with the Illinois Health Facilities Authority will be entirely devoted to adding or enhancing services to be provided to Medicaid recipients. The Facility also certifies that the loan for new construction or renovation from the Illinois Health Facilities Authority will be devoted to the construction or renovation of a facility which will participate in the Medicaid program and will serve a population of residents of which at least seventy-five percent are Medicaid recipients.

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3. The Department agrees that the Debt Service and Expense Portion as defined in Paragraph 4 below, for the term of this Contract is \$ \_\_\_\_\_ and that such amount shall be deducted on a monthly basis on or before the \_\_\_\_\_ th of each month in amounts equal to 1/9 of the Debt Service and Expense Portion in the months of September 1988 through May 1989 from available funds payable by the Department to the Provider for services delivered under this Contract. Such deductions shall be paid to American National Bank as Trustee, hereinafter referred to as Trustee, under an Indenture of Trust dated as of August 15, 1988, between the Trustee and the Illinois Health Facilities Authority. The monthly deductions for the Debt Service and Expense portion shall be on a first priority basis and shall be made by the Department and paid to the Trustee before payments are made to the Provider for services rendered.

4. The Provider acknowledges that it has entered into the Loan Agreement, dated August 1, 1988, between the Provider and the Illinois Health Facilities Authority and agrees that:

- (a) The Debt Service and Expense Portion under the Loan Agreement for this Contract year beginning July 1, 1988 and ending June 30, 1989 is \$ \_\_\_\_\_ which results in monthly payments to the Trustee of \$ \_\_\_\_\_ for September 1988 through May 1989.
- (b) The Debt Service and Expense Portion will be deducted on a monthly basis from available funds payable by the Department to the Provider for services delivered under this Contract in amounts as set forth herein. The Debt Service and Expense Portion shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Contract are rendered to the Provider.
- (c) The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Contract resulting in Provider becoming subject to any termination and penalty provisions, provided that the Department will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Provider under this Contract. The Debt Service and Expense Portion deduction shall remain in effect only for the life of this contract.
- (d) The Department will not, regardless of any downward monetary adjustment to the Provider, reduce the Debt Service and Expense Portion which shall remain at the level specified in Paragraph 4(a) above, provided that sufficient funds are available under this Contract.

5. All work under this Contract shall be performed by the Provider. None of the rights or duties accruing under the terms of this Contract may be assigned or delegated without the prior written consent of the Department.

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2. The Grantor agrees to make payments to Grantee as provided in the attached Agency Plan and Grant Agreement and to abide by the terms and conditions set forth in this Contract, the attached Agency Plan and the attached Grant Agreement.

3. The Grantor agrees that the Debt Service and Expense Portion as defined in Paragraph 4 below, for the term of this Contract is \$ \_\_\_\_\_ and that such amount shall be deducted on a monthly basis on or before the 15th of each month in amounts equal to 1/9 of the Debt Service and Expense Portion in the months of September 1988 through May 1989 from available funds payable by the Grantor to the Grantee for services delivered under this Contract. Such deductions shall be paid to American National Bank as Trustee, hereinafter referred to as Trustee, under an Indenture of Trust dated as of August 15, 1988, between the Trustee and the Illinois Health Facilities Authority. The monthly deductions for the Debt Service and Expense portion shall be on a first priority basis and shall be made by the Grantor and paid to the Trustee before payments are made to the Grantee for services rendered.

4. The Grantee acknowledges that it has entered into the Loan Agreement, dated August 1, 1983, between the Grantee and the Illinois Health Facilities Authority and agrees that:

- (a) The Debt Service and Expense Portion under the Loan Agreement for this Contract year beginning July 1, 1988 and ending June 30, 1988 is \$ \_\_\_\_\_ which results in monthly payments to the Trustee of \$ \_\_\_\_\_ for September 1988 through May 1989.
- (b) The Debt Service and Expense Portion will be deducted on a monthly basis from available funds payable by the Grantor to the Grantee for services delivered under this Contract in amounts as set forth herein. The Debt Service and Expense Portion shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Contract are remitted to the Grantee.
- (c) The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Contract resulting in Grantee becoming subject to any termination and penalty provisions, provided that the Grantor will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Grantee under this Contract. The Debt Service and Expense Portion deduction shall remain in effect only for the life of this contract.
- (d) The Grantor will not, regardless of any downward monetary adjustment to the Grantee, reduce the Debt Service and Expense Portion which shall remain at the level specified in Paragraph 4(a) above, provided that sufficient funds are available under this Contract.

5. All work under this Contract shall be performed by the Grantee. None of the rights or duties accruing under the terms of this Contract may be assigned or delegated without the prior written consent of the Grantor.

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2. The Grantor agrees to make payments to Grantee as provided in the attached Agency Plan and Grant Agreement and to abide by the terms and conditions set forth in this Contract, the attached Agency Plan and the attached Grant Agreement.

3. The Grantor agrees that the Debt Service and Expense Portion as defined in Paragraph 4 below, for the term of this Contract is \$\_\_\_\_\_ and that such amount shall be deducted on a monthly basis on or before the 15th of each month in amounts equal to 1/9 of the Debt Service and Expense Portion in the months of September 1988 through May 1989 from available funds payable by the Grantor to the Grantee for services delivered under this Contract. Such deductions shall be paid to American National Bank as Trustee, hereinafter referred to as Trustee, under an Indenture of Trust dated as of August 15, 1988, between the Trustee and the Illinois Health Facilities Authority. The monthly deductions for the Debt Service and Expense portion shall be on a first priority basis and shall be made by the Grantor and paid to the Trustee before payments are made to the Grantee for services rendered.

4. The Grantee acknowledges that it has entered into the Loan Agreement, dated August 1, 1988, between the Grantee and the Illinois Health Facilities Authority and agrees that:

- (a) The Debt Service and Expense Portion under the Loan Agreement for this Contract year beginning July 1, 1988 and ending June 30, 1988 is \$\_\_\_\_\_ which results in monthly payments to the Trustee of \$\_\_\_\_\_ for September 1988 through May 1989.
- (b) The Debt Service and Expense Portion will be deducted on a monthly basis from available funds payable by the Grantor to the Grantee for services delivered under this Contract in amounts as set forth herein. The Debt Service and Expense Portion shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Contract are remitted to the Grantee.
- (c) The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Contract resulting in Grantee becoming subject to any termination and penalty provisions, provided that the Grantor will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Grantee under this Contract. The Debt Service and Expense Portion deduction shall remain in effect only for the life of this contract.
- (d) The Grantor will not, regardless of any downward monetary adjustment to the Grantee, reduce the Debt Service and Expense Portion which shall remain at the level specified in Paragraph 4(a) above, provided that sufficient funds are available under this Contract.
- (e) The Debt Service and Expense Portion under this Contract represents \_\_\_\_\_% of the total due from the Grantee under the Loan Agreement. This percentage of the Debt Service and Expense Portion corresponds to the amount of the total loan allocable to projects financed under the Loan Agreement that receive funding from the Illinois Department of Mental Health and Developmental Disabilities. The remaining percentage of the Debt Service and Expense Portion is due under a separate contract with the Illinois Department of Public Aid.

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2. The Grantor agrees to make payments to Grantee as provided in the attached Agency Plan and Grant Agreement and to abide by the terms and conditions set forth in this Contract, the attached Agency Plan and the attached Grant Agreement.

3. The Grantor agrees that the Debt Service and Expense Portion as defined in Paragraph 4 below, for the term of this Contract is \$ \_\_\_\_\_ and that such amount shall be paid on a monthly basis on or before the 30th of each month in amounts equal to 1/9 of the Debt Service and Expense Portion in the months of September 1988 through May 1989. The amount due in September 1988 shall be paid by Grantee. The amounts due in October 1988 through May 1989 shall be deducted from available funds payable by the Grantor to the Grantee for services delivered under this Contract. Such deductions shall be paid to American National Bank as Trustee, hereinafter referred to as Trustee, under an Indenture of Trust dated as of August 15, 1988, between the Trustee and the Illinois Health Facilities Authority. The monthly deductions for the Debt Service and Expense portion shall be on a first priority basis and shall be made by the Grantor and paid to the Trustee before payments are made to the Grantee for services rendered.

4. The Grantee acknowledges that it has entered into the Loan Agreement, dated August 1, 1988, between the Grantee and the Illinois Health Facilities Authority and agrees that:

- (a) The Debt Service and Expense Portion under the Loan Agreement for this Contract year beginning July 1, 1988 and ending June 30, 1988 is \$ \_\_\_\_\_ which results in monthly payments to the Trustee of \$ \_\_\_\_\_ for September 1988 through May 1989.
- (b) The Debt Service and Expense Portion will be deducted on a monthly basis from available funds payable by the Grantor to the Grantee for services delivered under this Contract in amounts as set forth herein. The Debt Service and Expense Portion shall be on a first priority basis and shall be paid to the Trustee before all other payments under this Contract are remitted to the Grantee.
- (c) The Debt Service and Expense Portion deduction shall remain in effect despite any non-compliance with the terms set forth in this Contract resulting in Grantee becoming subject to any termination and penalty provisions, provided that the Grantor will only make payments to the Trustee for the Debt Service and Expense Portion from funds payable to the Grantee under this Contract. The Debt Service and Expense Portion deduction shall remain in effect only for the life of this contract.
- (d) The Grantor will not, regardless of any downward monetary adjustment to the Grantee, reduce the Debt Service and Expense Portion which shall remain at the level specified in Paragraph 4(a) above, provided that sufficient funds are available under this Contract.

5. All work under this Contract shall be performed by the Grantee. None of the rights or duties accruing under the terms of this Contract may be assigned or delegated without the prior written consent of the Grantor.

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ARRISE, INC.

## EXHIBIT F - CORRELATIVE SERIES A BONDS

\$ 0 of Series A Bonds maturing August 15, 1989  
\$ 0 of Series A Bonds maturing August 15, 1990  
\$ 0 of Series A Bonds maturing August 15, 1991  
\$ 0 of Series A Bonds maturing August 15, 1992  
\$ 0 of Series A Bonds maturing August 15, 1993  
\$ 0 of Series A Bonds maturing August 15, 1994  
\$ 0 of Series A Bonds maturing August 15, 1995  
\$ 0 of Series A Bonds maturing August 15, 1996  
\$ 0 of Series A Bonds maturing August 15, 1997  
\$ 0 of Series A Bonds maturing August 15, 1998  
\$ 0 of Series A Bonds maturing August 15, 1999  
\$ 0 of Series A Bonds maturing August 15, 2000  
\$ 0 of Series A Bonds mandatorily redeemable August 15, 2001  
\$ 0 of Series A Bonds mandatorily redeemable August 15, 2002  
\$ 0 of Series A Bonds maturing August 15, 2003

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ARRISE, INC.

EXHIBIT G - CORRELATIVE SERIES B BONDS

\$ 0 of Series B Bonds maturing August 15, 1989  
\$ 3,000 of Series B Bonds maturing August 15, 1990  
\$ 6,000 of Series B Bonds maturing August 15, 1991  
\$ 5,000 of Series B Bonds maturing August 15, 1992  
\$ 5,000 of Series B Bonds maturing August 15, 1993  
\$ 6,000 of Series B Bonds maturing August 15, 1994  
\$ 5,000 of Series B Bonds maturing August 15, 1995  
\$ 6,000 of Series B Bonds maturing August 15, 1996  
\$ 7,000 of Series B Bonds maturing August 15, 1997  
\$ 8,000 of Series B Bonds maturing August 15, 1998  
\$ 8,000 of Series B Bonds maturing August 15, 1999  
\$ 8,000 of Series B Bonds maturing August 15, 2000  
\$ 9,000 of Series B Bonds mandatorily redeemable August 15, 2001  
\$10,000 of Series B Bonds mandatorily redeemable August 15, 2002  
\$11,000 of Series B Bonds maturing August 15, 2003

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ARRISE, INC.

## EXHIBIT H - CORRELATIVE SERIES C BONDS

\$	0	of Series C Bonds maturing on August 15, 1989
\$	0	of Series C Bonds mandatorily redeemable August 15, 1990
\$	0	of Series C Bonds mandatorily redeemable August 15, 1991
\$	0	of Series C Bonds mandatorily redeemable August 15, 1992
\$	0	of Series C Bonds mandatorily redeemable August 15, 1993
\$	0	of Series C Bonds mandatorily redeemable August 15, 1994
\$	0	of Series C Bonds mandatorily redeemable August 15, 1995
\$	0	of Series C Bonds mandatorily redeemable August 15, 1996
\$	0	of Series C Bonds mandatorily redeemable August 15, 1997
\$	0	of Series C Bonds mandatorily redeemable August 15, 1998
\$	0	of Series C Bonds mandatorily redeemable August 15, 1999
\$	0	of Series C Bonds mandatorily redeemable August 15, 2000
\$	0	of Series C Bonds mandatorily redeemable August 15, 2002
\$2,000	0	of Series C Bonds maturing on August 15, 2003

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EXHIBIT I

TAX CERTIFICATIONS, REPRESENTATIONS AND COVENANTS

PART I

MATTERS RELATING TO THE USE OF THE IMPROVEMENTS

The Health Institution has reviewed Part I of this Exhibit with general or special independent counsel to the Health Institution ("Counsel"), and in the course of such review have reviewed with Counsel (i) all agreements and understandings (whether written or oral) relating to the use of the Improvements by Persons other than the Health Institution, (ii) the use of the Improvements by Persons other than the Health Institution, and (iii) the Health Institution's use of the Improvements. The Health Institution has identified to Counsel all agreements and understandings (whether written or oral) pertaining to the Improvements.

1. The Health Institution certifies and reaffirms, as of the date hereof, that all certifications and representations contained in the Project Certificate delivered by the Health Institution prior to the issuance of the Series A Bonds and Series B Bonds are true and correct as of the date of issuance of the Series A and B Bonds and such certifications and representations are incorporated by reference herein as if set forth herein.

2. The Health Institution has not and will not permit any portion of the Improvements to be used in the trade or business of any Private Person.

3. The Health Institution has not and will not (i) secure, directly or indirectly, more than five percent of either principal or interest on the Loan or Series A Bonds or Series B Bonds by (1) any interest in property used or to be used by any Private User or (2) any payments in respect of property used or to be used by any Private User, or (ii) directly or indirectly, cause or permit more than five percent of either principal or interest on the Loan or Series A Bonds or Series B Bonds to be derived from payments (whether or not to the Authority or by the Health Institution) in respect of property, or borrowed money, used or to be used by any Private User.

4. No portion of the proceeds of the Loan has been or will be loaned by the Health Institution or any other Person to any Person.

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5. Any proceeds received upon the damage, destruction, condemnation or sale under threat of condemnation of all or any portion of the Improvements will not be used to construct or acquire property or facilities the ownership or use of which results in the violation of any of the covenants contained in this Agreement, and any property or facilities acquired or obtained from proceeds received upon, or otherwise received as a result of, the damage, destruction, condemnation or sale under threat of condemnation of all or any portion of the Improvements shall be subject to the covenants contained in this Agreement.

6. The Health Institution will not permit any Person (other than a guarantor under a Guaranty which is a Tax-Exempt Organization) to (i) become a Principal User of the Improvements, or (ii) own or become a Principal User of, or permit a Related Person (other than such a Guarantor) to own or become a Principal User of, any facilities financed directly or indirectly, in whole or in part, with the proceeds of obligations the interest on which is excludable from the federal gross income of the owners thereof which were outstanding (including obligations that have been refunded but not yet redeemed) on the date the Series A Bonds or Series B Bonds were issued, unless the Health Institution delivers to the Trustee and the Authority a written opinion of Bond Counsel (which opinion, including without limitation, the scope form, substance and other aspects thereof is acceptable to the Authority) to the effect that such use will not result in the loss of any exemption for purposes of federal income taxation to which the interest on any of the Series A and B Bonds would otherwise be entitled.

7. The weighted average of the reasonably expected economic life of the Improvements, determined as of the date hereof, is not less than the weighted average of the reasonably expected economic life of the Improvements as calculated in the Project Certificate.

8. The Health Institution has not caused, and will not cause, any portion of the payment of principal or interest with respect to the Loan or the Series A Bonds or Series B Bonds, or any credit enhancement or liquidity device relating to any of the foregoing to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof). The Health Institution has not caused, and will not cause, any portion of the Loan or the proceeds of the Series A Bonds or Series B Bonds to be used to make loans the payment of principal or interest with respect to which is or will be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof), or invested (directly or indirectly) in federally insured deposits or accounts. In addition, the Health

Institution has not caused, and will not cause, any portion of the payment of principal or interest on the Loan or the Series A Bonds or the Series B Bonds or any credit enhancement or liquidity device relating to any of the foregoing to be otherwise directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof). The foregoing provisions shall not apply to proceeds of the Loan or the Series A Bonds or the Series B Bonds invested for an initial temporary period until such proceeds are needed for the purpose for which such obligations were issued, investments in obligations issued by the United States Treasury, or any other investments permitted under regulations issued by the Internal Revenue Service.

9. The Health Institution has not caused, and will not cause, any portion of the proceeds of the Loan or the Series A Bonds or Series B Bonds to be used to finance or refinance, directly or indirectly, or to provide an airplane, sky box or other private luxury box, health club facility (to the extent used in an Unrelated Trade or Business of the Health Institution), facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

10. With respect to any costs to be paid from both the proceeds of the Series A Bonds or Series B Bonds and the Series C Bonds, (e.g., costs of issuance and other similar expenses incurred by a Health Institution in obtaining a Loan or property or facilities any portion of which is to be financed in part with proceeds of the Series A Bonds or Series B Bonds and Series C Bonds), all such costs shall be paid pro rata from the proceeds of the Series A Bonds or Series B Bonds and the proceeds of the Series C Bonds.

11. The Health Institution reasonably expects that all preconditions, if any, to the disbursement of moneys from its Acquisition Subaccount of the Program Fund, including but not limited to those contained in Section 6.2 of the Agreement, will be satisfied at Closing or in due course thereafter, but in all events prior to August 15, 1991. The Health Institution agrees to use due diligence in obtaining satisfaction of all preconditions, if any, to the disbursement of moneys from its Acquisition Subaccount of the Program Fund.

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## PART II

### MATTERS RELATING TO ARBITRAGE

#### DESCRIPTION OF THE PURPOSE OF THE SERIES A BONDS AND SERIES B BONDS AND THE IMPROVEMENTS

1. Acquisition, Equipping and Construction of Improvements. It is expected that the work of acquiring and equipping the Improvements will proceed with due diligence until no later than August 31, 1991, at which time all proceeds of the Loan will have been spent.

2. No Replacement. Other than the proceeds of the Loan, the Health Institution has on hand no funds which could legally and practically be used for the purposes for which the Series A Bonds and Series B Bonds are being issued which are not pledged, budgeted, earmarked or otherwise necessary to be used for other purposes. Accordingly, the Health Institution is not, and will not, use any portion of the Loan or Series A Bonds or Series B Bonds to (i) directly or indirectly replace funds of the Health Institution that could be used for the Improvements or (ii) replace any proceeds of any prior issuance of obligations by or on behalf of the Health Institution or any Related Person. The Health Institution is not, and will not, use any portion of the Loan or Series A Bonds or Series B Bonds solely for the purpose of investing the proceeds at a yield higher than the yield on the Series A Bonds and Series B Bonds.

#### DESCRIPTION OF FUNDS

3. Acquisition Subaccount. Costs of the Improvements are to be paid from the Acquisition Subaccount and no other moneys (except for proceeds of the Series C Bonds that are expected to be fully and completely used to pay costs of the Improvements) are expected to be deposited therein.

4. Purpose of Bond Fund. The Bond Fund was established to achieve a proper matching of revenues and earnings with debt service in each Bond Year. Other than amounts being held to pay principal of matured Bonds that have not been presented for payment, any moneys deposited in the Bond Fund will be spent within the 12-month period beginning on the date of deposit therein. Any earnings from the investment of amounts in the Bond Fund will be spent within a one-year period beginning on the date of receipt of such investment earnings. Other than any amounts being held to pay principal on matured Bonds that have not been presented for payment, the Bond Fund will be depleted at least once a year, except for a reasonable carryover amount not to



exceed the greater of one year's earnings on the Bond Fund or one-twelfth of the annual debt service on the Series A and B Bonds during the most recently concluded annual period ending August 15.

5. No Other Pledged Funds. Other than the Bond Fund, the Series A Reserve Fund, the Series C Reserve Fund (but only to the extent such Fund may be drawn upon to make payments on the portion of the Loan funded with Series C Bond proceeds), the Supplemental Reserve Fund or the Cash Collateral Fund, no funds or accounts have been or are expected to be established, and no moneys or property have been or are expected to be pledged (no matter where held or the source thereof) which are expected to be available to pay, directly or indirectly, the Loan or Series A Bonds or Series B Bonds or amounts due under any credit enhancement or liquidity device relating to any of the foregoing or restricted so as to give reasonable assurance of their availability for such purposes except as described in a written certificate of the Health Institution filed with the Authority, the Trustee and MBIA prior to the Closing. No property of any kind is pledged to secure obligations of the Health Institution to the provider of any credit enhancement or liquidity device except for amounts deposited by the Health Institution in the Cash Collateral Fund and except as described in a written certificate of the Health Institution filed with the Authority, the Trustee and MBIA prior to the Closing.

**YIELD AND YIELD LIMITATIONS**

6. Yield Limits. (a) All Gross Proceeds, to the extent not exempted in (b) below, and all amounts in any fund or account pledged directly or indirectly to the payment of the Loan or Series A Bonds or Series B Bonds or amounts due under any credit enhancement or liquidity device relating to any of the foregoing which will be available to pay, directly or indirectly, the Loan or Series A Bonds or Series B Bonds or amounts due under such device or restricted so as to give reasonable assurance of their availability for such purpose contrary to the expectations set forth in paragraph 5 of this Part II, shall be invested at market prices and at a yield not in excess of the yield on the Series A Bonds and Series B Bonds plus, for amounts in the Acquisition Subaccount only, 1/8 of 1%.

(b) The following may be invested without yield restriction:

- (i) amounts invested in Tax Exempt Obligations;
- (ii) amounts in the Rebate Fund;

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- (iii) amounts deposited in the Bond Fund that are reasonably expected to be expended within 13 months from the deposit date and have not been on deposit therein for more than 13 months;
- (iv) amounts in the Acquisition Subaccount of the Health Institution prior to the earlier of completion (or abandonment) of the Improvements or three years from the Closing;
- (v) amounts in the Expense Fund derived from the proceeds of the Series A or B Bonds prior to the earlier of payment of all expenses to be paid from that Fund or one year from the Closing and other amounts deposited therein other than from the proceeds of obligations, the interest on which is or was exempt from federal income taxation under existing statutes, regulations and court decisions;
- (vi) all amounts for the first 30 days after they become Gross Proceeds (e.g., date of deposit in any fund securing the Series A Bonds or Series B Bonds);
- (vii) all amounts derived from the investment of proceeds for a period of one year from the date received;
- (viii) in the case of proceeds allocable to the Series A Bonds or Series B Bonds, the proceeds of which were not used to pay principal or interest on a Prior Issue, as hereinafter defined (all such portions of the Series A Bonds and Series B Bonds are hereinafter referred to collectively as the "Non-Refunding Amount"), an amount equal to the product of \$100,000 and the quotient obtained by dividing the Non-Refunding Amount by the sum of the Non-Refunding Amount and the amount of proceeds of which were used to pay principal or interest on a Prior Issue;
- (ix) all amounts on deposit in the Cash Collateral Fund; and
- (x) amounts in the Series A Reserve Fund to the extent they do not exceed the Series A Reserve Fund Requirement.

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7. Continuing Nature of Yield Limits. Subject to paragraph 14 in this Part II, once moneys are subject to the yield limits of paragraph 6(a), they remain yield restricted until they cease to be Gross Proceeds.

8. Yield on the Loan Agreement. The proceeds of the Series A Bonds and Series B Bonds have been loaned by the Authority to the Health Institution, and the Health Institution's obligation to repay the Loan is evidenced by the Loan Agreement. The earnings and profits of any temporary investment of amounts held under the Indenture will accrue to the Health Institution, not to the Authority.

Except for (a) the payments under the Loan Agreement as described above, (b) the costs of issuance relating to the Bonds, (c) the costs of the Bond Insurance Policies, (d) normal and customary fees and expenses of the Trustee, (e) the fees of the Authority, and (f) the proceeds of the Series C Bonds, no consideration, in cash or in kind, is being or will be paid by the Health Institution or by any other person to any person in connection with, or related to, issuing, carrying or redeeming the Bonds or issuing, carrying or repaying the Loan Agreement.

#### ARBITRAGE REBATE REQUIREMENT

9. Health Institution Covenant, Records. The Health Institution covenants and agrees to take or cause to be taken such actions and make or cause to be made all calculations, transfers and payments that may be necessary to comply with the rebate requirements contained in Section 148(f) of the Code.

The Health Institution agrees to keep and maintain adequate records with respect to any Gross Proceeds and the investment thereof of the Series A and B Bonds which it holds that are not controlled by the Trustee. Such records shall include (i) purchase price of investments; (ii) purchase date; (iii) type of investment; (iv) accrued interest paid; (v) interest rate (if applicable); (vi) principal amount; (vii) maturity date; (viii) interest payment date (if applicable); (ix) date of liquidation; and (x) receipts upon liquidation. If an investment becomes Gross Proceeds or is otherwise pledged to pay debt service on the Series A or B Bonds on a date other than the date such investment is purchased, the records shall include the market value of such investment on the date it is pledged to pay debt service on the Series A or B Bonds or otherwise becomes Gross Proceeds. If any investment is retained after the date the last Series A or B Bonds is retired, the records shall include

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the market value of such investment on the date the last Series A or B Bond is retired. Amounts will be segregated wherever held in order to permit the Health Institution to maintain these records.

10. Prohibited Payments; Certificates of Deposit and Investment Agreements. Except as provided in the next sentence, all amounts that constitute Gross Proceeds and all amounts in the Rebate Fund shall be invested at all times to the extent practicable, and no amounts may be held as cash or be invested in zero yield investments other than obligations of the U.S. purchased directly from the U.S. In the event moneys cannot be invested, other than as provided in this sentence, due to the denomination, price or availability of investments, the Health Institution may direct the investment of all such amounts in a deposit of a bank with a yield not less than that paid to the general public or hold such moneys uninvested to the extent necessary.

Investments of funds held under the Indenture (including funds held in the Rebate Fund) and any other Gross Proceeds shall not be made in violation of the following provisions:

(a) If the investment is in certificates of deposit of banks or savings and loan associations, the price at which each such certificate of deposit is purchased or sold must be a bona fide bid price quoted by a dealer who maintains an active secondary market in such certificates, or if there is no secondary market, such certificate of deposit must have a yield: (i) as high or higher than the yield on comparable obligations traded on an active secondary market, as certified by a dealer who maintains such a market, and (ii) as high or higher than the yield available on comparable obligations offered by the U.S. Treasury; provided, that the certification required in (i) must be made by a dealer who maintains an active secondary market in comparable certificates of deposit and must be based on actual trades adjusted to reflect the size and term of that certificate of deposit and the stability and reputation of the person issuing the certificate of deposit; and

(b) No investments may be made in an investment agreement (including a repurchase agreement) unless (i) at least three bids on the investment agreement from persons other than those with an interest in the issuance of the Bonds are received, (ii) a certification is provided by the person whose bid is accepted stating that, based on that person's reasonable expectations on the date that the agreement is entered into, obligations will not be purchased pursuant to the investment agreement at a price in excess of

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