NEW ISSUE: Book-Entry Only **RATINGS: See "RATINGS" herein**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

$90,000,000
Washington Health Care Facilities Authority
Revenue Bonds
Series 2008
(Seattle Cancer Care Alliance)

Dated: Date of Delivery **Due:** March 1, as shown below

The Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance) (the "Bonds") of the Washington Health Care Facilities Authority (the "Authority") will be issued as fully registered bonds without coupons, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be available to purchasers in denominations of $5,000 and any integral multiple thereof only under the book-entry system maintained by DTC through brokers and dealers that are, or act through, DTC Participants. Purchasers will not receive bond certificates. So long as any purchaser is the beneficial owner of a Bond, such purchaser must maintain an account with a broker or a dealer that is, or acts through, a DTC Participant to receive payment of principal of and interest on such Bond. See "Book-Entry System" herein. Principal of the Bonds will be payable on each March 1 in the years shown below. Interest on the Bonds will be payable on each March 1 and September 1, beginning on March 1, 2009.

The Bonds are subject to optional, mandatory and special optional redemption and mandatory purchase in lieu of redemption prior to maturity as described herein. See "THE BONDS" herein.

Maturities, Principal Amounts, Interest Rates, Yields and CUSIP Numbers

Maturities (March 1)	Principal Amounts	Interest Rates	Yields	CUSIP†
2010	$1,210,000	4.000%	3.480%	93978EY89
2011	1,260,000	5.000	4.220	93978EY97
2012	1,325,000	5.000	4.330	93978EZ21
2013	1,390,000	5.000	4.550	93978EZ39
2014	1,460,000	5.500	4.790	93978EZ47
2015	1,540,000	5.500	5.010	93978EZ54
2016	1,625,000	5.500	5.230	93978EZ62
2017	1,710,000	5.500	5.450	93978EZ70
2018	1,805,000	5.500	5.670	93978EZ88
2019	1,905,000	5.750	5.910	93978EZ96
$11,475,000	6.500% Term Bond due March 1, 2024, priced to yield 7.000%			CUSIP† 93978E2A9
$15,915,000	7.125% Term Bond due March 1, 2029, priced to yield 7.375%			CUSIP† 93978E2B7
$47,380,000	7.375% Term Bonds due March 1, 2038, priced to yield 7.625%			CUSIP† 93978E2C5

The Bonds will be secured under the provisions of the Bond Indenture and the Master Indenture, as described herein, and are payable solely from the revenues and other moneys received by the Authority pursuant to the Loan Agreement (as defined herein) between the Authority and Seattle Cancer Care Alliance (the "Corporation"), payments under Obligation No. 1 (as defined herein), moneys on deposit in the funds and accounts created under the Bond Indenture. Obligation No. 1 is secured by (i) a security interest in the Gross Receivables (as defined herein) of the Corporation and any future Members of the Obligated Group and (ii) a deed of trust lien on the Corporation's outpatient facility, all as more fully described herein.

There are risks associated with the purchase of the Bonds. For a discussion of certain of these risks, see "BONDHOLDERS' RISKS" herein.

THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL OR MORAL, OF THE STATE OF WASHINGTON (THE "STATE") OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR A GENERAL OBLIGATION OF THE AUTHORITY. THE OWNERS (INCLUDING THE BENEFICIAL OWNERS) OF THE BONDS HAVE NO RIGHT TO REQUIRE THE STATE OR THE AUTHORITY, NOR DOES THE STATE OR THE AUTHORITY HAVE ANY OBLIGATION OR LEGAL AUTHORIZATION, TO LEVY ANY TAXES OR APPROPRIATE OR EXPEND ANY OF THEIR RESPECTIVE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR THE INTEREST THEREON.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale and to the approval of validity of the Bonds and certain other matters by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by its special counsel, Orrick, Herrington & Sutcliffe LLP, for the Corporation by its counsel, Foster Pepper PLLC, Seattle, Washington, and for the Underwriters by their counsel, Jones Day, Chicago, Illinois. Public Financial Management, Inc., Seattle, Washington, serves as financial advisor for the Authority. It is expected that the Bonds in definitive form will be available for delivery to DTC on or about February 3, 2009.

Merrill Lynch & Co. **Banc of America Securities LLC**

January 23, 2009

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† CUSIP data herein is provided by Standard & Poor's, CUSIP Services Bureau, a division of The McGraw-Hill Companies, Inc., and is set forth herein for convenience for reference only. The Authority makes no representations with respect to such numbers and assumes no responsibility for their accuracy.

ABOUT THIS OFFICIAL STATEMENT

Each party listed below has provided the information under the caption or captions following its name. Each party is responsible only for the information provided under the captions following its name, unless otherwise stated.

Authority:	"INTRODUCTORY STATEMENT – The Authority," "THE AUTHORITY" and "ABSENCE OF LITIGATION AFFECTING BONDS – The Authority"
DTC:	"BOOK-ENTRY SYSTEM"
Bond and Master Trustee:	"THE BOND TRUSTEE AND MASTER TRUSTEE"
Financial Advisor to Corporation:	"FINANCIAL ADVISOR TO THE CORPORATION"
Financial Advisor to Authority:	"FINANCIAL ADVISOR TO THE AUTHORITY"
Underwriters	"UNDERWRITING"

All other information has been provided by the Corporation or other identified sources.

You should rely only on the information contained in this Official Statement. No one has been authorized to provide you with information different from that contained in this Official Statement. The information in this Official Statement is accurate only as of the date of this Official Statement, regardless of the time of delivery of this Official Statement or of any sale of the Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Caution Regarding Forward-Looking Statements. This Official Statement contains forward-looking statements that involve risks and uncertainties. In some cases you can identify forward-looking statements by terms such as "plan," "expect," "estimate," "budget," or similar expressions intended to identify forward-looking statements. Such forward-looking statements include but are not limited to certain statements contained in the information under the caption "BONDHOLDERS' RISKS" in the forepart of this Official Statement and the statements contained in APPENDIX A – "HISTORICAL FINANCIAL INFORMATION – Management Discussion and Analysis." These statements reflect the current views of the Corporation with respect to future events and are based on assumptions and subject to risks and uncertainties. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The Authority and the Corporation undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this Official Statement.

No dealer, broker, salesperson, or any other person has been authorized by the Authority, the Corporation or the Underwriters to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing or any other person. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS AND OBLIGATION NO. 1 HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND NEITHER THE BOND INDENTURE NOR THE MASTER INDENTURE HAVE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF LAWS OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$90,000,000
Washington Health Care Facilities Authority
Revenue Bonds
Series 2008
(Seattle Cancer Care Alliance)

INTRODUCTORY STATEMENT

Purpose. The purpose of this Official Statement, including the cover page hereof and the appendices hereto, is to provide information in connection with the offering by the Washington Health Care Facilities Authority (the "Authority") of its $90,000,000 Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance) (the "Bonds"). The Bonds will be issued pursuant to a Bond Indenture dated as of December 1, 2008 (the "Bond Indenture") between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). Certain capitalized terms used in this Official Statement and not otherwise defined are defined in Appendices C and D.

The Corporation. Seattle Cancer Care Alliance (the "Corporation") is a Washington nonprofit corporation and a Tax Exempt Organization (as hereinafter defined).

The Authority. The Authority is a public body corporate and politic and an agency of the State of Washington (the "State"), created by Chapter 70.37 Revised Code of Washington, as amended (the "Act"). See "THE AUTHORITY" herein.

Financing Plan. The Authority will loan the proceeds of the Bonds to the Corporation pursuant to a Loan and Security Agreement dated as of December 1, 2008 (the "Loan Agreement") between the Authority and the Corporation pursuant to which the Corporation will be required to make payments sufficient to pay when due the principal of, premium, if any, and interest on the Bonds. The proceeds of the Bonds will be used, together with other available funds, to (i) finance or reimburse the costs of constructing, remodeling, renovating and equipping certain facilities owned and operated by the Corporation (collectively, the "Project"); (ii) currently refund the Series 2001 Bonds and the Series 2005 Bonds (as hereinafter defined); (iii) fund a debt service reserve fund for the Bonds; and (iv) pay certain costs of issuing the Bonds. See "PLAN OF FINANCE" herein.

In order to secure the loan made by the Authority pursuant to the Loan Agreement, the Corporation will issue, pursuant to the Master Trust Indenture dated as of December 1, 2008, as supplemented by Supplemental Master Trust Indenture No. 1 dated as of February 3, 2008 (collectively, the "Master Indenture"), between the Corporation and U.S. Bank National Association, as master trustee (the "Master Trustee") and deliver to the Authority its Master Indenture Obligation No. 1 ("Obligation No. 1") in a principal amount equal to that of the Bonds. The Master Indenture provides that the Corporation and any future Members of the Obligated Group are jointly and severally liable to make payments on Obligation No. 1.

Security. The Bonds are special fund revenue obligations of the Authority payable solely from payments made by the Corporation under the Loan Agreement (the "Loan Repayments"), from payments made by the Corporation and any future Members of the Obligated Group on Obligation No. 1 and from certain funds held under the Bond Indenture. Pursuant to the Loan Agreement, the Corporation is required to make aggregate payments in an amount sufficient to pay in full, when due, the principal of and premium, if any, and interest on the Bonds. To provide security for the Bonds, the Authority will assign to the Bond Trustee pursuant to the Bond Indenture, all of its right, title and interest in Obligation No. 1 and the Loan Agreement (except for the Authority's right to payment of its fees and expenses, the Authority's right to indemnification and as otherwise set forth in the Loan Agreement).

Payment of the principal of, and interest on, the Bonds will be additionally secured by monies deposited to the credit of a Reserve Account established under the Bond Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS-Reserve Account" below.

Obligation No. 1 will be issued under the Master Indenture. Under the Master Indenture, all Master Indenture Obligations, including Obligation No. 1 will be secured by a security interest in (i) the Gross Receivables (as hereinafter defined) of the Corporation and any future Members of the Obligated Group and the proceeds thereof and (ii) a Deed of Trust, Assignment of Leases and Rents and Security Agreement and Fixture Filing dated as of February 3, 2008 (the "Deed of Trust") on the Corporation's outpatient facility in Seattle, Washington described under the caption "FACILITIES AND SERVICES – Outpatient Facility" in Appendix A hereto, subject to Permitted Liens (collectively, the "Collateral"). Accounts receivable of the Corporation, which constitute Gross Receivables and are pledged as security under the Master Indenture, may be sold if such sale is in accordance with the provisions of the Master Indenture. Any lien created under the Master Indenture on such accounts receivable would terminate and be immediately released as to accounts receivable sold upon their sale. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - The Master Indenture" and "BONDHOLDERS' RISKS - Matters Relating to the Security for the Bonds" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST" in Appendix C hereto. Also, for a description of certain limitations relating to master indenture financings, the liens on the Collateral and certain other risks, see "BONDHOLDERS' RISKS" herein.

In addition, no appraisal has been made of the property that is subject to the Deed of Trust. The value of such property could be substantially less than the principal amount of all Obligations outstanding under the Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS - The Master Indenture" and "BONDHOLDERS' RISKS - Matters Relating to the Security for the Bonds" herein. As of the date of issuance of the Bonds, the Bonds will be the only Indebtedness (as defined in the Master Indenture) outstanding and secured by Master Indenture Obligations issued under the Master Indenture.

Continuing Disclosure. The Corporation, on behalf of itself and any future Members of the Obligated Group, will enter into an undertaking (the "Undertaking") for the benefit of the holders of Bonds to provide certain information annually and quarterly and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual and quarterly basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, including termination, amendment and remedies, are set forth in Appendix F. The Corporation will enter into a Continuing Disclosure Agreement containing the Undertaking with U.S. Bank National Association (the "Dissemination Agent") under which the Corporation will designate the Dissemination Agent to act as dissemination agent.

Failure by the Corporation to comply with the Undertaking will not constitute an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement and holders of the Bonds are limited to the remedies described in the Undertaking upon such failure. See Appendix F. Failure by the Corporation to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Availability of Documents. The descriptions and summaries of various documents set forth in this Official Statement do not purport to be conclusive or definitive and reference is made to each such document for the complete details of all terms and conditions thereof. Descriptions of certain provisions of the Master Indenture, the Deed of Trust, the Loan Agreement and the Bond Indenture are set forth in Appendix C and Appendix D hereto. All references herein to the Bonds, Obligation No. 1, the Master Indenture, the Deed of Trust the Loan Agreement and the Bond Indenture are qualified in their entirety by reference to such documents, copies of which may be examined, or obtained at the expense of the person requesting the same, at principal corporate trust office of the Bond Trustee in Seattle, Washington. Information relating to DTC and the book-entry only system has been furnished by DTC.

THE OBLIGOR

On the date of issuance of the Bonds, the Corporation will be the sole member of the Obligated Group under the Master Indenture. The Corporation is exempt from federal income taxation under Section 501(a) of the Code as an organization described in Section 501(c)(3) of the Code and is not a private foundation as defined in Section 509(a) of the Code. As such, the Corporation is a "Tax Exempt Organization."

The members of the Corporation, which include Fred Hutchinson Cancer Research Center, the University of Washington and Children's Health Care System, formed the Corporation for the purpose of developing and offering a comprehensive program of integrated cancer care services in Seattle, Washington. The Corporation is licensed as a hospital.

NONE OF THE MEMBERS OF THE CORPORATION GUARANTY ANY OF THE CORPORATION'S FINANCIAL OBLIGATIONS, INCLUDING LOAN REPAYMENTS OR PAYMENTS ON OBLIGATION NO. 1.

The Corporation operates a 20-bed inpatient unit located within the University of Washington Medical Center at which it primarily provides bone marrow and stem cell transplantation and follow-up services. The Corporation also provides medical oversight and direction of care for both its inpatient unit and the University of Washington's hematology/oncology unit. The Corporation provides outpatient services at its multidisciplinary ambulatory hospital clinic located on the Fred Hutchinson Cancer Research Center campus. Services provided by the Corporation at the outpatient clinic include selected adult ambulatory cancer care services and pediatric bone marrow and stem cell transplant ambulatory services.

For more detailed information regarding the Corporation, including certain financial information, see Appendix A and Appendix B.

THE AUTHORITY

The Authority was created in 1974 by the Legislature of the State, pursuant to the Act and is empowered to issue special fund revenue bonds and to make the proceeds thereof available to private, nonprofit corporations and municipal corporations authorized to operate healthcare facilities (for purposes of this section, the "Participants") for the purpose of minimizing the costs of providing such facilities. The Authority has the statutory power to make loans of such proceeds to Participants for such purpose, to accept security for the repayment thereof, to refund its outstanding bonds and existing obligations of participating healthcare institutions for completed projects, to create special funds for the payment of its bonds and other powers related thereto.

The Act requires the Authority, upon request of an applicant for bond financing, to investigate and determine the need and feasibility of providing such bonds. In making such investigation, the Authority necessarily relies upon certain information provided by the applicant and others, including, but not limited to, the applicant's accountants and the certificate of need division of the State's Department of Health and the Authority does not undertake to verify independently such information. SUCH INVESTIGATION AND DETERMINATION ARE MADE FOR THE LIMITED PURPOSE OF SATISFYING THE AUTHORITY'S STATUTORY OBLIGATION TO FIND THAT PROVIDING SUCH FINANCING IS NECESSARY OR ADVISABLE FOR THE BENEFIT OF THE PUBLIC HEALTH, AND SHOULD NOT BE REGARDED AS THE AUTHORITY'S RECOMMENDATION OF THE BONDS TO, OR OTHERWISE BE RELIED UPON BY, THE OFFEREES OR PURCHASERS OF THE BONDS.

The Authority is composed of the persons holding the offices of Governor, Lieutenant Governor, Insurance Commissioner and Secretary of the Department of Health. The fifth member is appointed by the Governor and serves for a term of four years. Pursuant to the Act, the Insurance Commissioner has designated Carol Sureau, an employee of the Insurance Commissioners' office, to attend and vote at meetings on behalf of the Insurance Commissioner.

The members of the Authority are presently:

Member	Office or Affiliation
Christine Gregoire, Chairman	Governor, State of Washington
Brad Owen	Lieutenant Governor, State of Washington
Mike Kreidler	Insurance Commissioner, State of Washington
Mary C. Selecky	Secretary of the Department of Health, State of Washington
C. F. "Joe" Legel, Secretary	Public Member

The administration and overall operation of the Authority is the responsibility of its Executive Director, who is appointed by and serves at the discretion of the members of the Authority. Ms. Donna A. Fincke was appointed the Executive Director, effective January 11, 2007. She had served as an Assistant Executive Director of the Authority since 1999.

Unless specifically provided otherwise, each series of bonds or other obligations of the Authority is secured by a separate trust indenture; consequently, each issue of bonds (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment; and the owners of such other obligations shall have no claim on the security for the Bonds, and the Owners of the Bonds shall have no claims on the security for any such other obligations. All of such obligations are special fund revenue obligations of the Authority payable solely from funds pledged to their payment and are not general obligations of the Authority. The Authority may authorize other series of bonds or obligations for the financing of projects of other public or private nonprofit healthcare facilities in the State. The Authority has issued, prior to December 31, 2008, obligations aggregating over $9.8 billion in original principal amount in 331 series.

PLAN OF FINANCE

Use of Proceeds. The net proceeds of the Bonds will be applied to: (i) finance or reimburse the costs of constructing, remodeling, renovating and equipping certain facilities owned and operated by the Corporation (the "Project"); (ii) refund the Series 2001 Bonds and Series 2005 Bonds, (iii) fund a debt service reserve fund for the Bonds; and (iv) pay certain costs of issuing the Bonds.

The Project. The portion of the proceeds of the Bonds that will be used to pay or reimburse a portion of the costs of the Project will be deposited with the Bond Trustee to the credit of the Project Fund under the Bond Indenture and will be disbursed upon the filing of the required requisitions for disbursements from that fund. The Project includes, but is not limited to, the construction, renovation and equipping of the Corporation's outpatient facility and support facilities, including the expansion and renovation of the fifth and sixth floors of the outpatient facility. See "PROJECT" in Appendix A.

Refunding. The Corporation will use a portion of the proceeds of the Bonds, together with other available funds, to currently refund (i) all of the outstanding Weekly Rate Demand Revenue Bonds, Series 2001 (Seattle Cancer Care Alliance) (the "Series 2001 Bonds") of the Authority, $19,790,000 of which are currently outstanding, and (ii) all of the outstanding Weekly Rate Demand Revenue Bonds, Series 2005 (Seattle Cancer Care Alliance) (the "Series 2005 Bonds" and, together with the Series 2001 Bonds, the "Prior Bonds") of the Authority, $23,890,000 of which are currently outstanding.

A portion of the proceeds from the sale of the Bonds, together with certain funds held under the bond indenture under which the Series 2001 Bonds were issued, will be used to redeem the Series 2001 Bonds on March 5, 2009 at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest.

A portion of the proceeds from the sale of the Bonds, together with certain funds held under the bond indenture under which the Series 2005 Bonds were issued, will be used to redeem the Series 2005 Bonds on March 5, 2009 at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest.

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ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds related to the Bonds and the Prior Bonds are shown below:

Sources of Funds:	
Principal Amount of Bonds	$90,000,000
Original Issue Discount/Premium	(2,180,822)
Available Funds related to the Prior Bonds	735,000
Total Sources	$88,554,178
Uses of Funds:	
Refund the Prior Bonds	$44,218,521
Deposit to Project Fund	35,272,376
Deposit to Reserve Account[(1)]	7,392,081
Costs of Issuance[(2)]	1,671,200
Total Uses	$88,554,178

[(1)]Amount required to make the amount on deposit in the Reserve Account upon the issuance of the Bonds equal the Reserve Account Requirement. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Reserve Account."

[(2)]Includes underwriters' discount, fees of legal counsel to the Corporation and the Underwriters and Bond Counsel (as hereinafter defined) and certain accounting fees, as well as costs of title insurance, rating agency fees, printing costs, fees and expenses of the Bond Trustee and other miscellaneous expenses.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending June 30, the total principal, sinking fund and interest requirements with respect to the Bonds.

Year	Principal of Bonds	Interest on Bonds	Total
2009	-	$480,549	$480,549
2010	$1,210,000	6,178,481	7,388,481
2011	1,260,000	6,130,081	7,390,081
2012	1,325,000	6,067,081	7,392,081
2013	1,390,000	6,000,831	7,390,831
2014	1,460,000	5,931,331	7,391,331
2015	1,540,000	5,851,031	7,391,031
2016	1,625,000	5,766,331	7,391,331
2017	1,710,000	5,676,956	7,386,956
2018	1,805,000	5,582,906	7,387,906
2019	1,905,000	5,483,631	7,388,631
2020	2,015,000	5,374,094	7,389,094
2021	2,145,000	5,243,119	7,388,119
2022	2,285,000	5,103,694	7,388,694
2023	2,435,000	4,955,169	7,390,169
2024	2,595,000	4,796,894	7,391,894
2025	2,760,000	4,628,219	7,388,219
2026	2,955,000	4,431,569	7,386,569
2027	3,170,000	4,221,025	7,391,025
2028	3,395,000	3,995,163	7,390,163
2029	3,635,000	3,753,269	7,388,269
2030	3,895,000	3,494,275	7,389,275
2031	4,180,000	3,207,019	7,387,019
2032	4,490,000	2,898,744	7,388,744
2033	4,820,000	2,567,606	7,387,606
2034	5,175,000	2,212,131	7,387,131
2035	5,560,000	1,830,475	7,390,475
2036	5,970,000	1,420,425	7,390,425
2037	6,410,000	980,138	7,390,138
2038	6,880,000	507,400	7,387,400
Total[(1)]	$90,000,000	$124,769,636	$214,769,636

[(1)] Numbers in certain columns may not total due to rounding.

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THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds and to the Bond Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT" in Appendix D hereto.

General

The Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and any integral multiple thereof ("Authorized Denominations"), will initially be dated the date of their original issuance and delivery, will bear interest from the date thereof at the rates per annum shown on the cover page hereof, payable semiannually on March 1 and September 1 of each year (each an "Interest Payment Date"), beginning on March 1, 2009 and will mature on March 1 in the years and principal amounts shown on the front cover hereof, subject to mandatory, optional and special optional redemption and mandatory purchase in lieu of redemption prior to maturity as described herein under "THE BONDS - Redemption."

The Bonds will be made available to Beneficial Owners in book-entry form only, in Authorized Denominations. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. While the Bonds are book-entry bonds, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Payment of the principal, premium, if any, and interest on any Bonds will be made by wire transfer to DTC, to the account of Cede & Co. Subject to the provisions described under the caption "BOOK-ENTRY SYSTEM" in this Official Statement, interest payments on a Bond will be made on each Interest Payment Date to the registered owner thereof appearing on the Bond Register as the holder thereof as of the close of business on the Record Date immediately preceding such Interest Payment Date by wire transfer in immediately available funds to an account within the United States of America designated by such holder.

In the event that the Bonds are no longer held in a book-entry only system, the following provisions would apply. The principal of and the redemption premium, if any, on all Bonds will be payable on each Interest Payment Date by the Bond Trustee by check mailed on the Interest Payment Date to the Holders of the Bonds at the close of business on the Regular Record Date in respect of such Interest Payment Date at the registered addresses of Holders as they appear on the registration books of the Bond Trustee. In the case of any Holder of Bonds in an aggregate principal amount in excess of $1,000,000 as shown on the registration books of the Bond Trustee who, prior to the Record Date next preceding any Interest Payment Date, will have provided the Bond Trustee with written wire transfer instructions for an account within the United States of America, interest payable on such Bonds will be paid in immediately available funds in accordance with the wire transfer instructions provided by the Holder of such Bond and at the Holder's risk and expense.

Redemption

The Bonds are subject to optional, special optional and mandatory redemption and mandatory purchase in lieu of redemption prior to maturity as follows:

Optional Redemption. The Bonds maturing on or after March 1, 2024 shall be subject to redemption prior to their stated maturity at the option of the Corporation, in whole or in part (in such amounts as may be specified by the Corporation) on any date on or after March 1, 2019, in such maturities that may be specified by the Corporation and by lot within a maturity, at a price equal to 100% of the principal amount of Bonds called for redemption, plus interest accrued thereon, if any, to the date fixed for redemption, without premium.

Special Optional Redemption. The Bonds are subject to redemption prior to their respective stated maturities, at the option of the Corporation in whole or in part (in such amounts as may be specified by the Corporation) on any date as soon as practicable following receipt by the Bond Trustee of, and to the extent of, amounts paid in respect of the extraordinary redemption of Obligation No. 1 pursuant to the Master Indenture, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on March 1, 2024 are subject to redemption prior to their stated maturity in part and to payment at maturity from Mandatory Sinking Account Payments in the following amounts and on the following dates at a price equal to 100% of the principal amount of Bonds to be redeemed together with interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Account Payment Date (March 1)	Mandatory Sinking Account Payments
2020	$2,015,000
2021	2,145,000
2022	2,285,000
2023	2,435,000
2024*	2,595,000

* Maturity

The Bonds maturing on March 1, 2029 are subject to redemption prior to their stated maturity in part and to payment at maturity from Mandatory Sinking Account Payments in the following amounts and on the following dates at a price equal to 100% of the principal amount of Bonds to be redeemed together with interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Account Payment Date (March 1)	Mandatory Sinking Account Payments
2025	$2,760,000
2026	2,955,000
2027	3,170,000
2028	3,395,000
2029*	3,635,000

* Maturity

The Bonds maturing on March 1, 2038 are subject to redemption prior to their stated maturity in part and to payment at maturity from Mandatory Sinking Account Payments in the following amounts and on the following dates at a price equal to 100% of the principal amount of Bonds to be redeemed together with interest accrued thereon to the date fixed for redemption, without premium, as follows:

Mandatory Sinking Account Payment Date (March 1)	Mandatory Sinking Account Payments
2030	$3,895,000
2031	4,180,000
2032	4,490,000
2033	4,820,000
2034	5,175,000
2035	5,560,000
2036	5,970,000
2037	6,410,000
2038*	6,880,000

* Maturity

On the date of each Mandatory Sinking Account Payment, the Bond Trustee will apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of

the Term Bonds to which such payment applies, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee may apply moneys in the Principal Account to the purchase of such Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in writing by the Corporation, except that the purchase price (excluding accrued interest) will not exceed the par amount of such Term Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Term Bonds to which such payment would otherwise have applied with moneys in the Principal Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited such Term Bonds with the Bond Trustee (together with a Request of the Corporation to apply such Term Bonds so deposited to the Mandatory Sinking Account Payment due on said date with respect to such Term Bonds), or Term Bonds to which such payment would otherwise have applied were at any time purchased or redeemed by the Bond Trustee from the Redemption Account and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed will be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. Term Bonds purchased from the Principal Account, purchased or redeemed from the Redemption Account, or deposited by the Corporation with the Bond Trustee will be allocated first to the next succeeding Mandatory Sinking Account Payment applicable thereto, then as a credit against such future Mandatory Sinking Account Payments applicable thereto as the Corporation may specify.

Selection of Bonds to be Redeemed. Whenever provision is made in the Bond Indenture for the redemption of less than all of the Bonds, the Bond Trustee will select the Bonds to be redeemed within a maturity, from all such Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot in any manner which the Bond Trustee in its sole discretion will deem appropriate and fair.

Notice of Redemption; Effect of Redemption. Notice of redemption will be mailed by the Bond Trustee by first class mail, not less than fifteen (15) days nor more than sixty (60) days prior to the redemption date, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed. The Bonds so called for redemption will become due and payable at the Redemption Price specified in such notice and interest accrued thereon to the redemption date, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds will have no rights in respect thereof except to receive payment of said Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

While the Bonds are subject to the Book-Entry System, redemption notices will be sent to Cede & Co, as nominee of DTC.

Rescission of Notice of Redemption. Any notice of optional redemption given pursuant to the Bond Indenture may be rescinded by written notice given to the Bond Trustee by the Corporation no later than two (2) Business Days prior to the date specified for redemption. The Bond Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Bond Indenture.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in the Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable Redemption Price of such Bond, plus accrued interest. The Corporation may only exercise such option after the Corporation has delivered a Favorable Opinion of Bond Counsel to the Bond Trustee, and has directed the Bond Trustee to provide notice of mandatory purchase, such notice to be provided in accordance with the Bond Indenture. Bonds to be so purchased will be selected by the Bond Trustee in the same manner as Bonds called for redemption pursuant to the Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption as described in the Bond Indenture, the Corporation will pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee will pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption as described in the Bond Indenture will

operate to extinguish the indebtedness of the Authority evidenced by such Bond. No Holder or Beneficial Holder may elect to retain a Bond subject to mandatory purchase in lieu of redemption.

Exchange and Transfer

Bonds may be exchanged at the designated corporate trust office of the Bond Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Bond Trustee will require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange and, the Bond Trustee may also require the Bondholder requesting such exchange to pay a reasonable sum to cover expenses incurred by the Bond Trustee or the Authority in connection with such exchange. The Bond Trustee will not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

Subject to the provisions of the Bond Indenture related to the book-entry system, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Indenture, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Principal Corporate Trust Office of the Bond Trustee, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Bond Trustee.

Whenever any Bond or Bonds is surrendered for transfer and the conditions described in the immediately preceding paragraph have been satisfied, the Authority will execute and the Bond Trustee will authenticate and deliver a new Bond or Bonds for a like aggregate principal amount. The Bond Trustee will require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and the Bond Trustee may also require the Bondholder requesting such transfer to pay a reasonable sum to cover expenses incurred by the Bond Trustee or the Authority in connection with such transfer. The Bond Trustee will not be required to transfer (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of the Bonds is given, or (ii) any Bond called for redemption.

For a description of the procedure to transfer ownership of a Bond while in the book-entry system, see "BOOK-ENTRY SYSTEM".

BOOK-ENTRY SYSTEM

General

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear

through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Trustee, the Authority or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. In that event, bond certificates will be printed and delivered to DTC. The Bond Trustee may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources deemed to be reliable, but none of the Authority, the Corporation, the Bond Trustee or the Underwriters takes responsibility for the accuracy thereof.

None of the Authority, the Corporation, or the Bond Trustee has any responsibility or obligation to any DTC Participant or any Beneficial Owner with respect to: (1) the accuracy of any records maintained by DTC or any Participant; (2) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the principal or tender price of, or any premium or interest on the Bonds; (3) the delivery by DTC or any Participant to any Beneficial Owner of any notice (including a notice of redemption) or other communication which is required or permitted to be given to Bondholders under the Bond Indenture; (4) the selection of the Beneficial Owners to receive payment in the event of a partial redemption of a Series of the Bonds; or (5) any consent given or other action taken by DTC as Bondholder.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Special Obligations

The Bonds are special fund revenue bonds of the Authority payable solely from the Loan Repayments, from payments made by the Corporation and any future Members of the Obligated Group on Obligation No. 1 and from certain funds held under the Bond Indenture. To provide security for the Bonds, the Authority will assign to the Bond Trustee pursuant to the Bond Indenture, all of its right, title and interest in Obligation No. 1 and the Loan Agreement (except for the Authority's right to payment of its fees and expenses, the Authority's right to indemnification and as otherwise set forth in the Loan Agreement).

THE BONDS DO NOT CONSTITUTE AN OBLIGATION, EITHER GENERAL, SPECIAL OR MORAL, OF THE STATE OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OR A GENERAL OBLIGATION OF THE AUTHORITY. THE OWNERS (INCLUDING THE BENEFICIAL OWNERS) OF THE BONDS HAVE NO RIGHT TO REQUIRE THE STATE OR THE AUTHORITY, NOR DOES THE STATE OR THE AUTHORITY HAVE ANY OBLIGATION OR LEGAL AUTHORIZATION, TO LEVY ANY TAXES OR APPROPRIATE OR EXPEND ANY OF THEIR RESPECTIVE FUNDS FOR THE PAYMENT OF THE PRINCIPAL THEREOF OR PREMIUM, IF ANY, OR THE INTEREST THEREON.

Reserve Account

Pursuant to the Bond Indenture, the Bond Trustee will establish, maintain and hold in trust a separate account in the Bond Fund designated as the "Reserve Account." On the date of issuance of the Bonds, the Bond Trustee will deposit proceeds of the Bonds into the Reserve Account in an amount equal to the Reserve Account Requirement as of such date. See "ESTIMATED SOURCES AND USES OF FUNDS" above. "Reserve Account Requirement" means, as of any date of calculation, the amount equal to the sum of (1) interest falling due on then Outstanding Bonds (assuming that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by Mandatory Sinking Account Payments), (2) the principal amount of then Outstanding Serial Bonds falling due by their terms, and (3) the aggregate amount of Mandatory Sinking Account Payments required to be paid on the Bonds; all as computed for the then-current or any future Bond Year in which such sum is the largest.

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

Amounts on deposit in the Reserve Account will be valued by the Bond Trustee at their market value each March 1 and the Bond Trustee will promptly notify the Corporation of the results of such valuation. In making such valuations, the Bond Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon. If the amount on deposit in the Reserve Account on any day following such valuation is less than the Reserve Account Requirement the Bond Trustee will promptly notify the Corporation and the Corporation will, pursuant to the Loan Agreement, deposit the

amount necessary to increase the balance in said account to the Reserve Account Requirement. If the amount on deposit in the Reserve Account on any day following such valuation is more than the Reserve Account Requirement, the amount in excess of the Reserve Account Requirement will be withdrawn by the Bond Trustee from the Reserve Account and transferred to the Interest Account.

Within three (3) Business Days of receipt of notice from the Bond Trustee pursuant to the provisions of the Bond Indenture described in the preceding paragraph that the amount on deposit in the Reserve Account is less than the Reserve Account Requirement the Corporation will transfer to the Bond Trustee for deposit in the Reserve Account the amount of moneys necessary to increase the balance in the Reserve Account to the Reserve Account Requirement.

Loan Agreement

The Loan Agreement requires the Corporation to make Loan Repayments in an amount sufficient for payment in full of all amounts payable with respect to the Bonds, including the total interest payable on the Bonds to the date of maturity of such Bonds or earlier redemption, the principal amount of such Bonds, any redemption premiums, and certain other fees and expenses, less any amounts available for such payment as provided in the Bond Indenture.

The Master Indenture

Through the delivery of Obligation No. 1, the Corporation's obligation to make Loan Repayments will be secured by the provisions of the Master Indenture. The Master Indenture provides for the creation of a Credit Group comprised of Obligated Group Members and Designated Affiliates. As of the date of issuance of the Bonds there will be no Designated Affiliates and the Corporation will be the only Obligated Group Member. For a detailed description of the obligations of any future Designated Affiliates, see "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE" in Appendix C hereto. The Obligations issued under the Master Indenture, including Obligation No. 1, will be a general obligation of the Corporation, as the only Member of the Obligated Group on the date of issuance of the Bonds, and each other organization that may become an Obligated Group Member thereafter. Any organization that becomes a Designated Affiliate will not be directly obligated to pay the debt service on any Obligations, including Obligation No. 1, or the Bonds. However, under the Master Indenture, each Obligated Group Member covenants and agrees that it will cause any Designated Affiliate it controls to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture including making Required Payments under the Master Indenture. The Credit Group Representative may designate any Person as a Designated Affiliate by written notice to the Master Trustee. The Credit Group Agent may, in its sole discretion, declare that a Designated Affiliate is no longer a Credit Group Member, provided that immediately following such Person ceasing to be a Designated Affiliate neither a Default nor an Event of Default under the Master Indenture would exist.

Pursuant to the Master Indenture, the Members of the Obligated Group (currently only the Corporation) are subject to certain operational and financial restrictions that relate primarily to: debt service coverage requirements; the incurrence of additional Indebtedness; the ability of entities to become Members of the Obligated Group; the ability of Members to withdraw from the Obligated Group; and the encumbrance and transfers of assets. The Master Indenture requires the Members of the Obligated to include their own revenues and expenses and that of any Designated Affiliates in calculating debt service coverage, notwithstanding that the Designated Affiliates are not obligated to make payments with respect to the Master Indenture Obligations. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST" in Appendix C hereto.

Under the Master Indenture, the Corporation and any future Members of the Obligated Group may, upon compliance with the conditions contained therein, issue additional Master Indenture Obligations evidencing its Indebtedness, its obligations with respect to Financial Products Agreements and its other obligations. All such Master Indenture Obligations (including Obligation No. 1 and any future Master Indenture Obligations) will be joint and several obligations of each Member of the Obligated Group and will be entitled to the benefits of the covenants contained in the Master Indenture. In addition, the Master Indenture permits such additional Master Indenture Obligations to be secured by security in addition to that generally provided for all Master Indenture Obligations,

which additional security or liens need not be extended to secure any other Master Indenture Obligations (including Obligation No. 1). Additional Indebtedness not represented by Master Indenture Obligations issued under the Master Indenture, but conforming to the limitations and meeting the financial tests set forth in the Master Indenture, may be incurred by Members of the Obligated Group. Master Indenture Obligations representing the obligations of the Members of the Obligated Group relating to Financial Products Agreements and other obligations that do not constitute Indebtedness may be issued without limitation. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – DEFINITIONS – Indebtedness" in Appendix C hereto.

All Master Indenture Obligations issued under the Master Indenture are secured by a security interest in the Gross Receivables of the Corporation and any future Members of the Obligated Group and the proceeds thereof. "Gross Receivables" means all of the accounts, chattel paper, instruments and general intangibles (all as defined in Chapter 62A.9 Revised Code of Washington, as amended) of each Obligated Group Member, as are now in existence or as may be acquired after the execution of the Master Indenture and the proceeds thereof; excluding, however, all receivables representing (i) donor restricted gifts, grants, bequests, donations, legacies, pledges and contributions acquired by any Obligated Group Member and (ii) all receivables attributable to any services rendered by any Obligated Group Member involving or related to proton beam therapy including without limitation proton beam therapy services billed under the American Medical Association's Current Procedural Terminology (CPT) codes relating to (a) clinical treatment planning, (b) medical radiation physics, dosimetry, treatment devices, and special services, (c) radiation treatment delivery, and (d) radiation treatment management. Accounts receivable of the Corporation and any future Members of the Obligated Group that constitute Gross Receivables and are pledged as security under the Master Indenture may be sold if such sale is in accordance with the provisions of the Master Indenture. Any lien or security interest created under the Master Indenture on such accounts receivable would terminate and be immediately released upon any such sale with respect to any such accounts receivable so sold. See "BONDHOLDERS' RISKS - Matters Relating to the Security for the Bonds" below and "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST" in Appendix C hereto. The Master Indenture does not limit the amount of such accounts receivable that may be sold for fair market value without recourse. In addition, the Master Indenture permits, subject to certain limitations, the Members of the Obligated Group to sell such accounts receivable with recourse (which creates a security interest in such accounts receivable under the Washington Uniform Commercial Code) and to directly place prior liens or security interests on such accounts receivable, subject to certain limitations. See subparagraph (p) of the definition of "Permitted Liens" in "SUMMARY OF THE MASTER INDENTURE AND THE DEED OF TRUST – DEFINITIONS" in Appendix C hereto.

Upon compliance with certain conditions in the Master Indenture, other entities may join the Obligated Group and become jointly and severally liable on all Master Indenture Obligations then outstanding and any subsequently issued Master Indenture Obligations. Upon compliance with certain other conditions set forth in the Master Indenture, Members of the Obligated Group may withdraw from the Obligated Group and will no longer be liable for the repayment of any Master Indenture Obligations issued under the Master Indenture, including any Master Indenture Obligations previously issued for the benefit of such withdrawing Member. Upon withdrawal of a Member from the Obligated Group, the remaining Members of the Obligated Group will continue to be liable for the payment of all Master Indenture Obligations then outstanding, including any Master Indenture Obligations previously issued for the benefit of such withdrawing Member. See "SUMMARY OF CERTAIN PROVISIONS THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE – Withdrawal from the Obligated Group" in Appendix C hereto.

The Deed of Trust

To further secure the outstanding Obligations under the Master Indenture including Obligation No. 1, the Corporation will execute and deliver to the Master Trustee the Deed of Trust. The Deed of Trust will place a mortgage lien on the leasehold interest in the real estate on which the Corporation's outpatient facility in Seattle, Washington is located, including all buildings, structures, and improvements now or hereafter situated thereon and the fixtures, equipment and other personal properly located therein or thereon (the "Deed of Trust Property"). The Corporation entered into a 99-year lease of the land on which its outpatient facility is located with Fred Hutchinson Cancer Research Center, a member of the Corporation, in 2001. See FACILITIES AND SERVICES – Outpatient Facility" in Appendix A hereto for a description of the Deed of Trust Property. The Deed of Trust Property does not include the Corporation's inpatient facility or other facilities or land of the Corporation or the facilities of the

affiliates of the Corporation which are not Members of the Obligated Group, including the SCCA House or Proton Facility described in Appendix A.

The Deed of Trust also provides that the Deed of Trust Property or portions thereof may be released from the lien and security interest of the Deed of Trust in certain circumstances and subject to certain conditions and limitations. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE DEED OF TRUST" in Appendix C hereto. In addition, the Master Indenture provides that the lien of the Deed of Trust may be subordinated in certain circumstances; provided, however, that the lien and security interest of the Deed of Trust on the portion of the Deed of Trust Property constituting real property and fixtures shall not be released or subordinated to any lien or security interest securing Indebtedness for borrowed money or credit extended or any Financial Products Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE DEED OF TRUST."

No appraisal has been made of the Deed of Trust Property. At any time, the value of the Deed of Trust Property could be substantially less than the principal amount of all Obligations outstanding under the Master Indenture. See "BONDHOLDERS' RISKS – Matters Relating to the Security for the Bonds" herein.

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive, should be read in conjunction with all other parts of this Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement. See the caption "INTRODUCTORY STATEMENT – Availability of Documents" above.

General

The Bonds will be payable by the Authority solely from amounts payable under the Loan Agreement and Obligation No. 1 issued to the Bond Trustee. See "SECURITY FOR THE BONDS" above. The ability of the Corporation to realize revenues in amounts sufficient to pay debt service on Obligation No. 1 when due is affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. No representation or assurance is given or can be made that revenues will be realized by the Corporation in amounts sufficient to pay debt service when due on Obligation No. 1 and the other obligations of the Corporation. None of the provisions of the Bond Indenture, the Loan Agreement or the Master Indenture provide any assurance that the obligations of the Corporation will be paid as and when due if the Corporation becomes unable to pay its debts as they come due or the Corporation otherwise becomes insolvent.

The receipt of future revenues by the Corporation is subject to, among other factors, federal and state laws, regulations and policies affecting the health care industry and the policies and practices of major managed care providers, private insurers and other third party payors and private purchasers of health care services. The effect on the Corporation of recently enacted laws and regulations and recently adopted policies, and of future changes in federal and state laws, regulations and policies, and private policies, cannot be determined at this time. Loss of established managed care contracts of the Corporation could also adversely affect its future revenues.

The impact of the current economic crisis, including without limitation its impact on the availability of credit, personal, corporate and governmental revenues and the market for and interest payable on the Obligated Group's variable rate indebtedness, may adversely affect revenues and expenses and, consequently, the ability of the Corporation to make payments under the Loan Agreement and of the Obligated Group to make payments under Obligation No. 1. Revenues and expenses and, consequently, the ability of the Corporation to make payments under the Loan Agreement and of the Obligated Group to make payments under Obligation No. 1, may also be adversely affected by future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for health care services, the availability and affordability of insurance, including without limitation, malpractice and casualty insurance, availability of nursing and other professional personnel, the capability of the Corporation's management, the receipt of grants and contributions, referring

physicians' and self referred patients' confidence in the Corporation, economic and demographic developments in the United States, the State and the Corporation's service area, and competition from other health care institutions in the service areas, together with changes in rates, costs, third party payments and governmental laws, regulations and policies.

This discussion of risk factors is not, and is not intended to be, exhaustive, and should be read in conjunction with all other parts of this Official Statement.

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the Corporation are briefly summarized in general terms below, and are explained in greater detail in subsequent sections or in APPENDIX A to this Official Statement. The occurrence of one or more of these risks could have a material adverse effect on the financial condition and result of operations of the Corporation, and in turn, the ability of the Obligation Group to make payments on Obligation No. 1.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program. Future changes in the underlying law and regulations, as well as in payment policy and timing, create uncertainty and could have a material adverse impact on hospitals' payment stream from Medicare. With health care and hospital spending reported to be increasing faster than the rate of general inflation, Congress and/or the Centers for Medicare & Medicaid Services ("CMS") may take action in the future to decrease or restrain Medicare outlays for hospitals.

Indigent Care. Tax-exempt hospitals often treat large numbers of indigent patients who are unable to pay in full for their medical care. These hospitals may be susceptible to economic and political changes that could increase the number of indigents or the financial responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage affects the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and Federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

State Medicaid Programs. Washington Medicaid and other state health care programs constitute an important payor source to the Corporation. State Medicaid and other state health care often pay hospitals at levels that may be below the actual cost of the care provided. As Medicaid is partially funded by states, significant deterioration in the financial condition of the state in which a hospital is located could result in lower funding levels and/or payment delays.

Rate Pressure from Insurers and Major Purchasers. Certain hospital markets, including many communities in Washington, are strongly impacted by large health insurers and, in some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over hospital rates, utilization and competition. Rate pressure imposed by health insurers or other major purchasers may have a material adverse impact on hospitals, particularly if major purchasers put increasing pressure on payors to restrict rate increases. Business failures by health insurers also could have a material adverse impact on contracted hospitals in the form of nonpayment or shortfalls or delays in payment, and/or continuing obligations to care for managed care patients without receiving payment.

Capital Needs versus Capital Capacity. Hospital operations are capital intensive. Regulation, technology and physician/patient expectations require constant and often significant capital investment. Total capital needs may be greater than the availability of funds to provide capital investment.

Government Enforcement. To ensure the integrity of the federal health care programs, CMS, the U.S. Department of Health and Human Services ("HHS"), the Office of Inspector General ("OIG"), and the Department of Justice ("DOJ") have paid close attention to the business practices and conduct of health care providers. The

federal and state governments, including the State, impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of fraud in the Medicare and Medicaid programs, as well as other state and federally-funded health care programs. This body of laws and regulations impacts a broad spectrum of hospital commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, and discounts, among other activities.

Enforcement actions may pertain to not only deliberate violations, but also frequently relate to violations resulting from actions of which management is unaware, from mistakes or from circumstances where the individual participants do not know that their conduct is in violation of law. Enforcement actions may extend to conduct that occurred in the past. The government periodically conducts widespread investigations covering categories of services, or certain accounting or billing practices.

Violations and alleged violations carry significant sanctions, which may be aggressively pursued by the government. The government may seek a wide array of civil, administrative, criminal, and monetary penalties, including withholding essential hospital payments under the Medicare or Medicaid programs, or exclusion from those programs. Negative publicity and large settlements and/or adverse results of litigation could result in payment of substantial fines and prospective restrictions that may have a materially adverse impact on hospital operations, financial condition, results of operations and reputation, and generally are not covered by insurance.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and hospital care. These could result in higher hospital costs, reductions in patient populations and/or new sources of competition for hospitals.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operations is regulated, in some cases by multiple agencies of government. The level and complexity of regulation appears to be increasing, bringing with it operational limitations, enforcement and liability risks, and significant and sometimes unanticipated cost impacts.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology. *See* "SERVICE AREA AND COMPETITION" in Appendix A for a description of the principal competitors of the Corporation in its service areas and certain information regarding service area economics.

Labor Costs and Disruption. Hospitals are labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have a significant impact on hospital operations and financial condition. Hospital employees are increasingly organized in collective bargaining units, and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce are high, and turnover is often also high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. Workforce disruption may negatively impact hospital revenues and reputation.

Pension and Benefit Funds. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits.

Funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities, may increase in the future. A hospital may also be adversely affected by negative financial and liability impacts on its physicians. Costs of insurance, including self-insurance, may increase dramatically, or the availability of commercial insurance may be jeopardized.

Facility Damage. Hospitals are highly dependent on the condition and functionality of their physical facilities. Damage from natural causes, fire, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on hospital operations, financial conditions and results of operations.

Interest Rate Swap Risk

While it is anticipated that the Corporation will not have any such agreements in place upon the issuance of the Bonds, the Corporation, after receiving the appropriate approval of its Board of Directors, has and may in the future periodically enter into interest rate swap agreements to hedge interest rate risk. Changes in the market value of such agreements could negatively or positively impact the Corporation's operating results and financial condition, and such impact could be material. Any of the Corporation's swap agreements may be subject to early termination upon the occurrence of certain specified events. If either the Corporation or the counterparty terminates such an agreement when the agreement has a negative value to the Corporation, the Corporation could be obligated to make a termination payment to the counterparty in the amount of such negative value, and such payment could be substantial and potentially materially adverse to the Corporation's financial condition. In the event of an early termination of a swap agreement, there can be no assurance that (i) the Corporation will receive any termination payment payable to it by the respective swap counterparty, (ii) the Corporation will have sufficient amounts to pay a termination payment payable by it to the respective swap counterparty, and (iii) the Corporation will be able to obtain a replacement swap agreement with comparable terms.

Certain of the Corporation's swap agreements may require the Corporation to secure its obligations in certain circumstances. The Corporation's ability to place a lien on its collateral is not limited by the Master Indenture. See subparagraph (s) of the definition of "Permitted Liens" in "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST — DEFINITIONS" in Appendix C hereto. If the Corporation is unable to secure its obligations under a swap agreement with sufficient collateral, the respective swap counterparty will have the right to terminate such swap agreement and the Corporation could be required to make a termination payment to the swap counterparty, the amount of which could be substantial.

Swap agreements entered into in the future will not alter or affect the Corporation's obligation to pay the principal of, interest on, and redemption price of, any of the Master Indenture Obligations issued under the Master Indenture and the swap counterparties to such swap agreements will have no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the Bonds. Neither the holders of the Bonds nor any other person shall have any rights under the Corporation's swap agreements or against swap counterparties.

Construction Risks

Construction and other substantial ongoing renovation projects such as the construction of the Project are subject to the usual risks associated with construction projects, including, but not limited to, delays in issuance of required building permits or other necessary approvals or permits, strikes, shortages of materials and adverse weather conditions. Such events could result in delaying occupancy of the Project and thus the revenue flow therefrom. Management of the Corporation believes that building permits required to date have been obtained and anticipates that building permits required in the future will be obtained in due course. The proceeds from the sale of the Bonds, together with anticipated investment earnings thereon, together with certain funds of the Corporation, are expected to be sufficient to complete the construction, renovation and equipping of the Project. However, cost overruns for projects of this magnitude may occur due to change orders and other factors. In addition, the completion dates may be further extended by reason of changes authorized by the Corporation, delays due to acts or neglect of the Corporation or by independent contractors employed by the Corporation or by labor disputes, fire,

unusual delay in materials transportation, adverse conditions not reasonably anticipated, unavoidable casualties or any causes beyond the control of the contractors. As a result of natural disasters, costs of construction materials may significantly increase, which may affect the cost of the Project regardless of any guaranteed maximum price contracts. Cost overruns could also result in the Corporation not having sufficient moneys to complete construction of the Project, thereby materially affecting the receipt of revenues needed to pay debt service on its outstanding indebtedness.

Nonprofit Health Care Environment

General. As a nonprofit tax-exempt organization, the Corporation is subject to federal, state and local laws, regulations, rulings and court decisions relating to its organization and operation, including their operation for charitable purposes. At the same time, the Corporation conducts large-scale complex business transactions and is a major employer in its geographic area. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex health care organization.

Recently, an increasing number of the operations or practices of health care providers have been challenged or questioned to determine if they are in compliance with the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead in many cases are examinations of core business practices of the health care organizations. Areas which have come under examination have included pricing practices, billing and collection practices, charitable care, executive compensation, exemption of property from real property taxation, and others. These challenges and questions have come from a variety of sources, including state attorneys general, the Internal Revenue Service (the "IRS"), labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. These challenges or examinations include the following, among others:

Congressional Hearings/Legislation. The House Committee on Energy and Commerce has launched a nationwide investigation of hospital billing and collection practices and prices charged to uninsured patients. Twenty large hospital and health care systems were requested to provide detailed historical charge and billing practice information. In April 2005, the Committee requested additional information from ten large hospital systems and indicated the Committee was extending its inquiry into the forms of hospital bills and the impact of hospital "charge masters" on patients.

In 2004, the Senate Finance Committee also conducted hearings on reforms to the nonprofit sector. At the hearing, the Finance Committee released a staff discussion draft on proposals for reform in the area of tax-exempt organizations, including a proposal for a five-year review of tax-exempt status by the IRS. Complementary to the Senate Committee hearings, the House Committee on Ways and Means held a hearing in April 2005 to examine the tax-exempt sector. In May 2005, the Committee conducted a hearing that focused more specifically on hospital tax-exemption to review the value of uncompensated and under-compensated care provided by these non-profit hospitals, and the tax benefits and other support they receive.

In March 2006, the Senate Finance Committee held a hearing focusing on health care tax policies. In September 2006, the Senate Finance Committee held another hearing concerning tax-exempt hospitals, the community-benefit standard for tax-exempt hospitals and the charity care provided by tax-exempt hospitals.

In December 2006, the Chairman of the United States House Ways and Means Committee introduced charity care legislation requiring that non-profit hospitals provide statutorily mandated amounts of charity care. The bill, H.R. 6420 (Tax Exempt Hospitals Responsibility Act of 2006) provided for the payment of penalties and excise taxes if a non-profit hospital failed to meet the requirements. Although this bill never became law, legislation similar to this could be introduced and passed into law which could have a material effect on the Corporation's operations, financial condition and results of operations. In July of 2007, the minority staff of the Senate Finance Committee released a discussion draft (not proposed legislation) (the "Discussion Draft") of various possible non-profit hospital reforms. Among these possible reforms described in the Discussion Draft was a 5 percent minimum mandated charity care requirement for maintaining tax exemption of non-profit hospitals. At an October 30, 2007 roundtable conducted by the minority staff of the Senate Finance Committee regarding the Discussion Draft, tax-exempt hospital representatives generally argued against the proposed 5 percent minimum charity care requirement

for maintaining tax exemption, while patient advocates stressed the need for minimum standards to force hospitals to help the poor and ensure fair billing practices. Senate Finance Committee ranking Republican, Charles E. Grassley (R-Iowa), who has pushed for reforms to obtain more transparency and accountability by nonprofit hospitals, told the roundtable that those who are trying to water down regulatory proposals for revising the mechanism for determining a nonprofit hospital's community benefit actually could lead him to offer reform legislation. In September 2008, Senator Grassley launched a detailed inquiry into two nonprofit hospitals' activities following media reports that called into question their tax-exempt purposes. On December 19, 2008, he announced that he is discussing with other lawmakers the possibility of developing legislation to establish charity care and community benefit standards for nonprofit hospitals, along with accountability benchmarks. Although it is not clear at this time whether legislation will in fact be enacted, there is likely to be continued pressure on the nonprofit health care sector. This inquiry could be expanded to other hospitals or could result in legislation. The effect of any such legislation, if proposed and ultimately enacted, cannot be determined at this time.

Internal Revenue Service Form 990. The Internal Revenue Service Form 990 is used by 501(c)(3) not-for-profit organizations to submit information required by the federal government for tax-exemption. On December 20, 2007, the IRS released a revised Form 990 that requires detailed public disclosure of compensation practices, corporate governance, loans to management and others, joint ventures and other types of transactions, political campaign activities, and other areas the IRS deems to be compliance risk areas. The redesigned Form 990 also requires the reporting of detailed community benefit information on Schedule H to the Form, and establishes uniform standards for the reporting of charity care. The redesigned Form 990 also contains a separate schedule requiring detailed reporting of information relating to tax exempt bonds, including compliance with the arbitrage rules and rules limiting private use of bond-financed facilities, including compliance with the safe harbor guidance in connection with management contracts and research contracts. The redesigned Form 990 is intended to result in enhanced transparency as to the operations of exempt organizations. It is also likely to result in enhanced enforcement, as the redesigned Form 990 will make available a wealth of detailed information on compliance risk areas to the IRS and other stakeholders, including state attorneys general, unions, plaintiff's class action attorneys, public watchdog groups, and others. For the 2008 tax year, only section V of Schedule H, which requires the listing of an organization's facilities, will be required to be completed. All other parts of the revised Form will be optional for the 2008 tax year. The entire Form must be completed for tax years beginning in 2009.

Internal Revenue Service Examination of Compensation Practices. In August 2004, the IRS announced a new enforcement effort to address abuses by tax-exempt organizations that pay excessive compensation and benefits to their officers and other insiders. The IRS announced that it would contact nearly 2,000 charities and foundations to seek more information about their compensation practices and procedures. This examination project is ongoing. In its Fiscal Year 2008, Exempt Organizations Implementing Guidelines, the IRS identified executive compensation and tax-exempt hospitals as areas of compliance on which the IRS will continue to focus.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. The cases are proceeding in various courts around the country with inconsistent results. While it is not possible to make general predictions, some hospitals and health systems have incurred substantial costs in defending such lawsuits, and in some cases have entered into substantial settlements.

Challenges to Real Property Tax Exemptions. Recently, the real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities have been challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These challenges have been based on a variety of grounds, including allegations of aggressive billing and collection practices and excessive financial margins.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrict hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted.

The foregoing are some examples of the challenges and examinations facing nonprofit health care organizations. The challenges and examinations, and any resulting legislation, regulations, judgments, or penalties, could have a material adverse impact on the financial condition of the Corporation and any future Members of the Obligated Group and, in turn, their ability to make payments under the Loan Agreement and on Obligation No. 1, as applicable.

Federal Laws Affecting Health Care Facilities

Medicare and Medicaid Programs. Medicare and Medicaid are the commonly used names for hospital reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is jointly funded by federal and state government and governed by both federal and state laws. Medicare provides certain health care benefits to beneficiaries who are 65 years of age or older or disabled, or qualify for the End Stage Renal Disease Program. Medicaid is designed to pay providers for care given to the medically indigent, is funded by federal and state appropriations, and is administered by the individual states. Hospital benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements, including children, the aged, the blind and/or disabled.

Health care providers have been and will continue to be significantly impacted by changes in the last several years in federal health care laws and regulations, particularly those pertaining to Medicare and Medicaid. The purpose of much of the recent statutory and regulatory activity has been to reduce the rate of increase in health care costs, particularly costs paid under the Medicare and Medicaid programs. Diverse and complex mechanisms to limit the amount of money paid to health care providers under both the Medicare and Medicaid programs have been enacted, and have caused severe reductions in reimbursement from the Medicare program. Specifically, the Balanced Budget Act of 1997 (the "BBA") which was signed into law on August 5, 1997, was intended to decrease significantly reimbursement or payment to health care providers. Congress has also affected reimbursement levels to providers in the Medicare and Medicaid and State Children's Health Insurance Program Balanced Budget Refinement Act of 1999 ("BBRA") and the Benefits Improvement and Protection Act of 2000 ("BIPA"). The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MMA") was signed into law on December 8, 2003. The MMA, among other things expanded outpatient prescription coverage. The Deficit Reduction Act of 2005 (the "DRA"), contained, among other things, a number of provisions to slow the pace of spending growth in the Medicare program while increasing health care providers' focus on quality and efficient delivery of health care services. The Tax Relief and Health Care Act of 2006 (the "TRHCA") continues to focus on quality of care.

Past federal budgets have proposed budget cuts to the Medicare and Medicaid programs. While it is uncertain whether future federal budgets will propose cuts to those programs, any reduction in the level of Medicare and/or Medicaid spending or a reduction in the rate of increase of Medicare and/or Medicaid spending would have an adverse impact on the revenues of the Obligated Group derived from the Medicare and Medicaid programs.

The following is a summary of the Medicare and Medicaid programs and certain risk factors related thereto.

The Medicare Program. Medicare is the federal health insurance system under which hospitals are paid for services provided to eligible elderly and disabled persons. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the State and/or The Joint Commission. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services.

The Corporation is certified as a provider for Medicare services and for the fiscal years ended June 30, 2008 and 2007, Medicare payments represented approximately 24.9% and 23.3%, respectively, of the Corporation's gross patient service revenues.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related

groups ("DRGs"), unless the hospital is statutorily exempt from the Medicare Prospective Payment System or requests and receives a legislative exemption ("Exempt Hospitals"). The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS and are subject to federal budget considerations.

Exempt Hospitals, such as the Corporation, are reimbursed for inpatient services on a "reasonable cost" basis subject to a ceiling on the rate of increase in inpatient costs as established in the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Exempt Hospitals receive per diem interim payments for estimated cost of inpatient care that are adjusted based on a final cost report settlement with the Medicare program. There is no guarantee that payments for inpatient services, even with the more favorable reasonable cost reimbursement will cover the Corporation's actual costs of providing services to Medicare patients. Loss of its status as an Exempt Hospital could have a material adverse impact on the Corporation's financial condition.

Reimbursement for Outpatient Services. Medicare pays for most outpatient hospital services either under the outpatient prospective payment system ("OP PPS") or based on a fee schedule. Examples of services reimbursed under a fee schedule are physical and occupational therapy and screening mammography services. Most other services are paid under OP PPS, which is structured upon groupings called ambulatory payment classifications, or "APCs." Each APC groups together services that are similar both clinically and with respect to the use of resources and each group is assigned a relative payment weight. A hospital's payment for an outpatient service subject to OP PPS is determined by the APC relative payment weight, multiplied by a conversion factor, and adjusted by the geographic adjustment factor and any other applicable adjustments such as those for outliers. The BBRA established a "hold harmless" provision for Exempt Hospitals such as the Corporation. Each cost report year, the amounts paid under the APC system for hospital outpatient services are compared to the product of the reasonable cost of the services provided and the payment-to-cost ratio in effect during the 1996 base year. If the APC amount is less than the pre-BBRA amount for covered hospital outpatient services, the amount of payment is increased by the difference. The APC payment rate, like the DRG rate for inpatient services, is not related to a hospital's actual cost of providing a service, and there can be no assurance even with the "hold harmless" payments that payments for outpatient services will be sufficient to cover the Corporation's actual costs.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients. In addition, there is no assurance that the Corporation will be fully reimbursed for all services which it bills through consolidated billing.

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare exclusively on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Corporation's facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medicare Payment for Preventable Medical Errors. The DRA required the Secretary of HHS to select at least two conditions that are: (1) high cost, high volume, or both; (2) identified through ICD-9-CM coding as a complicating condition or major complicating condition that, when present as a secondary diagnosis at discharge, results in payment at a higher MS-DRG; and (3) reasonably preventable through application of evidence-based guidelines. Such conditions are referred to as "hospital-acquired conditions." The DRA further required hospitals to begin reporting on claims for discharges, beginning October 1, 2007, whether the selected conditions were present on admission. In its 2008 Inpatient Prospective Payment System Final Rule, CMS selected eight conditions in furtherance of this mandate. These included seven conditions identified by the National Quality Forum as "never events." In the 2009 Inpatient Prospective Payment System Final Rule, CMS finalized several more conditions, within three categories. All of the conditions will have payment implications when acquired during an inpatient stay beginning with discharges on or after October 1, 2008.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination.

Physician Payments. Physicians may elect to "participate" or enroll in the Medicare program as a provider. Medicare Part B provides reimbursement for certain physician services, including employed and provider-based physicians, based upon a national payment schedule referred to as the Medicare Physician Fee Schedule (the MPFS"). The Medicare payment schedule's impact on a physician's Medicare payments is primarily a function of three key factors: the resource-based relative value scale ("RBRVS"); the geographic practice cost indexes (GPCI); and the monetary conversion factor. Under RBRVS, payments for services are determined by the "resource costs" necessary to provide such services. Payments also are adjusted for geographical differences. The costs also have three components: physician work, practice expense and professional liability insurance, which are adjusted by the corresponding GPCI for the locality. Payments are calculated by multiplying the combined costs of a service by a conversion factor. The conversion factor is a monetary amount that currently is determined by CMS's Sustainable Growth Rate ("SGR") system. The SGR system annually takes into account changes in the Medicare fee-for-services enrollment, input prices, spending due to law and regulation, and gross domestic product, effectively changing the payment schedule on an annual basis. There is no guarantee that reimbursement under the MPFS will cover the Corporation's actual costs of providing physician services to Medicare beneficiaries.

Further, physicians who opt not to participate in the Medicare program also may provide care to Medicare beneficiaries, but will be reimbursed at a lower fee schedule. Regardless of physician enrollment status, all physicians who furnish health care services to Medicare beneficiaries must meet the full gamut of federal coding, documentation and other compliance requirements. In general, the medical staff members of the Corporation are participating physicians in the Medicare program. Although the Corporation does not currently employ physicians or bill Medicare for physician services, the Corporation makes support payments to the University of Washington for certain physician recruitment and employment expenses which are not paid from revenues generated from physician services.

Chemotherapy Payments. Revenue for chemotherapy is an important source of revenue for the Corporation and contributed approximately 18.5% of the Corporation's total gross outpatient revenues in 2008. Medicare payments for drugs administered in hospital outpatient departments have been an area of focus by federal lawmakers and regulators for many years, and their focus on this area is expected to continue. The impact on the Corporation resulting from recent reduced drug payment amounts from Medicare is anticipated by management of the Corporation to be relatively minor due to the "hold harmless" provision that applies to Exempt Hospitals including the Corporation. A change in the "hold harmless" provision could, however, have a material adverse impact on the Corporation. In addition, one of the targeted areas in cancer research is identification of oral chemotherapy agents which have the potential for fewer side effects to patients. While it is unclear how soon these oral agents will come to market, the use of these oral agents in place of traditional chemotherapy would decrease the drug infusion revenue of the Corporation.

Medicare Audits and Withholds. Hospitals participating in Medicare and Medicaid are subject to audits and retroactive audit adjustments with respect to reimbursement claimed under those programs. In November 2008, the Corporation was notified that CMS has engaged a third party to audit the cost reports of the eleven cancer hospitals excluded from the Medicare Hospital Inpatient Prospective Payment System, including the Corporation, for fiscal years 2004 through 2006 for the purpose of validating correct payments and potentially rebasing the payment limits. The audit is scheduled to begin in January of 2009. Although management of the Corporation believes its reserves are adequate for this purpose, any such future adjustments could be material. Both Medicare and Medicaid regulations also provide for withholding payments in certain circumstances. Any such withholding with respect to the Corporation could have a material adverse effect on the financial condition and results of operations of the Corporation. In addition, contracts between hospitals and third-party payors often have contractual audit, setoff and withhold language that may cause substantial, retroactive adjustments. Such contractual adjustments also could have a material adverse effect on the financial condition and results of operations of the Corporation. Management of the Corporation is not aware of any situation in which a Medicare or other payment is being, or may in the future be, withheld that would materially and adversely affect the financial condition or results of operations of the Corporation.

Under both Medicare and Medicaid programs, certain health care providers, including hospitals, are required to report certain financial information on a periodic basis, and with respect to certain types of classifications of information, penalties are imposed for inaccurate reports. As these requirements are numerous, technical and complex, there can be no assurance that the Corporation will avoid incurring such penalties in the

future. These penalties may be material and adverse and could include criminal or civil liability for making false claims and/or exclusion from participation in the federal healthcare programs. Under certain circumstances, payments made may be determined to have been made as a consequence of improper claims subject to the federal False Claims Act or other federal statutes, subjecting the provider to civil, administrative, or criminal sanctions. The United States Department of Justice has initiated a number of national investigations, including in Washington State, involving proceedings under the federal False Claims Act relating to alleged improper billing practices by hospitals. These actions have resulted in substantial settlement amounts being paid in certain cases.

In section 306 of the MMA, Congress directed HHS to conduct a 3-year demonstration program using Recovery Audit Contractors ("RACs") to detect and correct improper payments in the Medicare fee for service program. The RAC demonstration program was designed to determine whether the use of RACs will be a cost-effective means of adding resources to ensure correct payments are being made to providers and suppliers and, therefore, protect the Medicare Trust Fund. The demonstration program operated initially in New York, Florida, and California, and was expanded to Massachusetts and South Carolina, and ended on March 27, 2008. In June 2008, CMS released an evaluation report of the entire 3-year RAC demonstration. This report presents an evaluation of the Medicare RAC demonstration from its inception in 2005 through March 27, 2008. Section 302 of the TRHCA makes the RAC Program permanent and requires the Secretary of HHS to expand the program to all 50 states by no later than 2010. As implemented by CMS, RACs are required to identify both overpayments and underpayments, and are paid on a contingency fee basis.

Management of the Corporation does not anticipate that Medicare audits or cost report settlements for the Medicare program will materially adversely affect the financial condition or results of operations of the Corporation; however, in light of the complexity of the regulations relating to the Medicare program, and the threat of ongoing investigations as described above, there can be no assurance that significant difficulties will not develop in the future**.**

Medicaid Programs. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain needy individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. Attempts to balance or reduce federal and state budgets will likely negatively impact Medicaid spending. Payments made to health care providers under the Medicaid program are subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints. The President proposed approximately $18.2 billion in cuts to Medicaid over five years in the FY 2009 Budget. Most of the reduction in Medicaid spending would result from shifting costs from the federal government to the states. These cuts are in addition to approximately $12 billion in cuts from the President's proposals in the 2008 fiscal year's budget that are in various stages of implementation and effectiveness. Similarly, the budget for the 2009-2011 biennium proposed by the Governor of the State includes a reduction in Medicaid payments to hospitals of four percent. While it is uncertain at this time which provisions of the President's FY 2009 Budget or the State's 2009-2011 budget will be enacted into law, any reduction in the level of Medicaid spending by the federal government or the State is likely to have an adverse impact on the revenues of the Corporation derived from the Medicaid program. For the fiscal years ended June 30, 2008 and 2007, the Corporation received approximately 10.9% and 10.8%, respectively, of gross patient service charges from Medicaid programs.

CMS approved the State's demonstration proposal under Section 1115 of the Federal Social Security Act which implemented a statewide Medicaid managed care delivery system. The State's Medicaid health care delivery system, entitled, "Healthy Options," provides payment for health care services through a managed care provider network. The Corporation participates in the Healthy Options network and also treats patients covered by traditional Medicaid.

The State agencies that purchase healthcare services (the Department of Social and Health Services, the Department of Labor and Industries, and the State Health Care Authority, for example) implemented an outpatient prospective payment system (OPPS) for payment of hospital-based outpatient services which became effective on April 1, 2003. OPPS was modeled on the Medicare APC program and currently excludes cancer hospitals, such as the Corporation.

The State has experienced adverse economic conditions during its recent fiscal years, resulting in significant shortfalls between its general fund revenues, which are the primary source of moneys for Medicaid funding, and spending demands. These economic conditions and the resulting shortfalls are expected to continue in the current fiscal year and may continue in future fiscal years. Given the fact that, historically, federal payments and the amount appropriated by the State legislature for the payment of Medicaid claims have not been sufficient to reimburse hospitals for their actual costs of providing services to Medicaid patients, the financial challenges facing the State may negatively affect the Corporation in a number of ways. They may lead to a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid. See "BONDHOLDERS' RISKS – Indigent Care" above. They may cause the State to seek to generate revenue or reduce expenses by changing eligibility requirements for Medicaid recipients, changing the method of or reducing the amount of payments to hospitals for Medicaid services, delaying actual payments due to hospitals for Medicaid services, increasing the frequency of regulatory investigations and resulting penalties, and/or changing the tax-exempt treatment of charitable organizations' income or real estate. Additionally, as revenues decline, the State may face pressure from various interest groups to restrict the use of State funds to such interest groups' purposes. This could negatively affect the availability of the State's general funds for Medicaid services.

Regulatory and Contractual Matters

State Regulation. Washington has established statutory and regulatory requirements for health care facilities. Failure to comply with laws and rules governing licensure and standards of care could result in the revocation of a hospital's license and operating privileges, including licensure of inpatient facilities and outpatient programs, including hospitals, home health agencies, skilled nursing facilities, hospice programs and basic care facilities.

Certificate of Need. The State employs a certificate of need program, whereby health care facilities are required to obtain approval from the State before undertaking certain projects, including constructing or developing a new health care facility, selling, purchasing or leasing part or all of any existing hospital, changing bed capacity in a manner which increases the total number of licensed beds or redistributes beds, and/or offering a new tertiary health service. Certificate of need approval is not required for any portion of the Project.

Anti-Fraud and Abuse Laws. The federal Anti-Kickback Statute makes it a felony to knowingly and willfully offer, pay, solicit or receive remuneration, directly or indirectly, in order to induce business that is reimbursable under any federal health care program. The statute has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services or to induce further referrals. Violation of the Anti-Kickback Statute may result in imprisonment for up to five years and/or fines of up to $25,000 for each act. In addition, the OIG has the authority to impose civil assessments and fines and to exclude hospitals engaged in prohibited activities from the Medicare, Medicaid, TRICARE (a health care program providing benefits to dependents of members of the uniformed services), and other federal health care programs for not less than five years. In addition to certain statutory exceptions to the Anti-Kickback Statute, the OIG has promulgated a number of regulatory "safe harbors" under the Anti-Kickback Statute designed to protect certain payment and business practices. A party may seek an advisory opinion to determine whether an actual or proposed arrangement meets a particular safe harbor; however the failure of a party to seek an advisory opinion may not be introduced into evidence to prove that the party intended to violate the provisions of the statute. Failure to comply with a statutory exception or regulatory safe harbor does not mean that an arrangement is unlawful but may increase the likelihood of a regulatory challenge.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") created a new program operated jointly by HHS and the United States Attorney General to coordinate federal, state and local law enforcement with respect to fraud and abuse including the Anti-Kickback Statute. HIPAA also provides for minimum periods of exclusion from a federal health care program for fraud related to federal health care programs, provides for intermediate sanctions and expands the scope of civil monetary penalties. The BBA expanded the authority of the OIG to exclude persons from federal health care programs, increased certain civil and monetary penalties for violations of the Anti-Kickback Statute and added a new monetary penalty for persons who contract with a provider that the person knows or should know is excluded from the federal health care programs. Finally, actions which violate the Anti-Kickback Statute or similar laws may also involve liability under the federal civil False Claims Act which prohibits the knowing presentation of a false, fictitious or fraudulent claim for payment to

the United States government. Actions under the civil False Claims Act may be brought by the United States Attorney General or as a qui tam action brought by a private individual in the name of the government.

Pursuant to the mandates of HIPAA, increased emphasis is being placed on federal investigations and prosecutions of Medicare and Medicaid "fraud and abuse" cases, and increases in personnel investigations and prosecuting such cases have been reported, which will most likely result in a higher level of scrutiny of hospitals and health care providers, including the Corporation.

In addition to the federal laws prohibiting kickbacks and other types of exchanges of remuneration for referrals of patients, Washington law also prohibits such conduct. Subject to certain exceptions, RCW 19.68.010 provides criminal and civil penalties for licensed facilities and individuals who make or receive payments for referrals of patients for health care services. Entities and individuals found to have violated this provision are subject to loss of licensure, fines and/or imprisonment. The statute contains several ambiguities, has been sparsely reviewed or interpreted, and the exact scope and extent of its prohibition are still subject to interpretation.

Management of the Corporation believes that the Corporation has used its best efforts to comply with the Anti-Kickback Statute and the Washington fraud and abuse law. However, because of the breadth of those laws and the narrowness of the safe harbor regulations, there can be no assurance that regulatory authorities will not take a contrary position or that the Corporation will not be found to have violated the Anti-Kickback Statute or Washington fraud and abuse law.

Stark Law. Another federal law (known as the "Stark Law") prohibits, subject to limited exceptions, a physician who has a financial relationship, or whose immediate family has a financial relationship, with entities (including hospitals) providing "designated health services" from referring Medicare patients to such entities for the furnishing of such designated health services. Stark Law designated health services include physical therapy services, occupational therapy services, radiology or other diagnostic services (including MRIs, CT scans and ultrasound procedures), durable medical equipment, radiation therapy services, parenteral and enteral nutrients, equipment and supplies, prosthetics, orthotics and prosthetic devices, home health services, outpatient prescription drugs, inpatient and outpatient hospital services and clinical laboratory services. Beginning in January 2007, nuclear medicine services and supplies were included in the definition of designated health services. The Stark Law also prohibits the entity receiving the referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; that is, unlike the federal Anti-Kickback Statute, no finding of intent to violate the Stark Law is required. Sanctions for violation of the Stark Law include denial of payment for the services provided in violation of the prohibition, refunds of amounts collected in violation, a civil penalty of up to $15,000 for each service arising out of the prohibited referral, exclusion from participation in the federal healthcare programs, and a civil penalty of up to $100,000 against parties that enter into a scheme to circumvent the Stark Law's prohibition. Under an emerging legal theory, knowing violations of the Stark Law may also serve as the basis for liability under the False Claims Act. The types of financial arrangements between a physician and an entity that trigger the self-referral prohibitions of the Stark Law are broad, and include direct and indirect ownership and investment interests and compensation arrangements.

On September 5, 2007, CMS published Phase III of the Stark Law regulations. Those regulations became effective in large part on December 4, 2007. Prior to that, (Phase II regulations were issued on March 26, 2004 effective on July 26, 2004 and Phase I regulations were issued on January 4, 2001; effective on January 4, 2002.). These regulations changed the requirements to meet certain Stark Law exceptions and added new exceptions to the Stark Law.

The 2009 Inpatient Prospective Payment System Final Rule ("IPPS Final Rule") published on August 18, 2008 further revised the Stark Law regulations, certain provisions of which became effective on October 1, 2008. Although many of the provisions of the Stark Law regulations were revised, the provisions of the IPPS Final Rule that could have a significant impact on the Corporation include: (a) the definition of "entity" and the affect on services provided "under arrangements," (b) the "stand in the shoes" provisions, (c) limitations placed on revenue-based or percentage payments for space and equipment, and (d) limitations on per click arrangements. The definition of an "entity" for Stark purposes now includes the person or entity that performs DHS services, as well as the person or entity that bills for DHS services. The change in definition has a delayed effective date of October 1,

2009. This change significantly affects the manner in which an "under arrangements" relationship may be structured and will require many of those relationships to be restructured or terminated. In addition, many revenue-based and percentage payments for space or equipment may no longer comply with space rental, equipment rental, fair market value, or indirect compensation exceptions. Further, many per-unit or per-click compensation methodologies for space and equipment rental charges will no longer comply with space rental, equipment rental, fair market value, or indirect compensation exceptions. The changes to percentage based and per-click compensation arrangements also have a delayed effective date of October 1, 2009.

At a minimum, the new Stark Law regulations may require the Corporation to amend or terminate certain arrangements with physicians or other referral sources to comply with the regulations' new requirements. At this point, it is uncertain whether or how these regulations will affect the financial condition and results of operations of the Corporation.

A number of states (including Washington) have passed similar statutes pursuant to which similar types of prohibitions are made applicable to all other health plans or third party payors. In 1995, the State Legislature enacted a state physician self-referral prohibition patterned after the Stark Law. This statute, RCW 74.09.240(3), explicitly provides that the physician referral prohibition shall not apply in any case covered by a general exception in the Stark Law. Although the scope of the State self-referral statute remains ambiguous, a letter issued by the Washington State Attorney General dated September 30, 1998, indicates that the State statute should be interpreted in a manner consistent with its federal counterpart. The State self-referral law prohibits certain physician referrals, but does not directly prohibit billing for services provided pursuant to a prohibited referral. The State statute does not identify what, if any, penalties apply in the event of a violation.

Although management of the Corporation believes that the arrangements of the Corporation with physicians should not be found to violate the Stark Law, as currently interpreted, there can be no assurance that regulatory authorities will not take a contrary position or that the Corporation will not be found to have violated the Stark Law. Sanctions under the Stark Law, including exclusion from the Medicare and Medicaid programs, could have a material adverse effect on the financial condition and results of operations of the Corporation.

False Claims Laws. There are principally three federal statutes addressing the issue of "false claims." First, the Civil False Claims Act imposes civil liability (including substantial monetary penalties and damages) on any person or corporation that (1) knowingly presents or causes to be presented a false or fraudulent claim for payment to the United States government; (2) knowingly makes, uses, or causes to be made or used a false record or statement to obtain payment; or (3) engages in a conspiracy to defraud the federal government by getting a false or fraudulent claim allowed or paid. Specific intent to defraud the federal government is not required to act with knowledge. This statute authorizes private persons to file qui tam actions on behalf of the United States.

In addition to the Civil False Claims Act, the Civil Monetary Penalties Law authorizes the imposition of substantial civil money penalties against an entity that engages in activities including, but not limited to, (1) knowingly presenting or causing to be presented, a claim for services not provided as claimed or which is otherwise false or fraudulent in any way; (2) knowingly giving or causing to be given false or misleading information reasonably expected to influence the decision to discharge a patient; (3) offering or giving remuneration to any beneficiary of a federal health care program likely to influence the receipt of reimbursable items or services; (4) arranging for reimbursable services with an entity which is excluded from participation from a federal health care program; (5) knowingly or willfully soliciting or receiving remuneration for a referral of a federal health care program beneficiary; or (6) using a payment intended for a federal health care program beneficiary for another use. The Secretary of HHS, acting through the OIG, also has both mandatory and permissive authority to exclude individuals and entities from participation in federal health care programs pursuant to this statute.

Finally, it is a criminal federal health care fraud offense to: (1) knowingly and willfully execute or attempt to execute any scheme to defraud any healthcare benefit program; or (2) to obtain, by means of false or fraudulent pretenses, representations or promises any money or property owned or controlled by any healthcare benefit program. Penalties for a violation of this federal law include fines and/or imprisonment, and a forfeiture of any property derived from proceeds traceable to the offense.

On September 12, 2007, Senator Charles Grassley introduced Senate Bill 2041, "The False Claims Correction Act of 2007." Hearings on the bill were held before the Senate Judiciary Committee on February 27, 2008 and the Bill was reported out of the Committee with bipartisan support on April 3, 2008. The legislation seeks to amend the Civil False Claims Act in light of recent case rulings that its sponsors believe have led to a narrowed interpretation of the existing Civil False Claims Act. Senate Bill 2041, if enacted as is, would greatly expand potential liability under the Civil False Claims Act and could effectively eliminate several longstanding defenses intended to protect against speculative lawsuits. In particular, Senate Bill 2041, among other changes, eliminates the presentment requirement as a defense to a false claim, eliminates the "public disclosure bar" (which currently prohibits a qui tam relator from bringing a complaint that is based on information already available to the public) as a jurisdictional defense to qui tam suits, extends the statute of limitations to ten years in all cases, and generally expands liability for false claims. A House companion bill, HB 4854, largely tracks SB 2041. The effect of such legislation, if enacted, cannot be determined at this time.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs"), that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Medicare and Medicaid also purchase hospital care using managed care options. Payments to hospitals from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

For example, managed care plans have replaced indemnity insurance as the prime source of non-governmental payment for hospital services, and hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. Regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require multiple forms of cost containment.

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care, which, in each case, usually is discounted from the typical charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. The hospital may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the hospital's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses and may require hospitals to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the hospital. Hospitals also from time to time have disputes with managed care payors concerning payment and contract interpretation issues.

Failure to maintain contracts could have the effect of reducing the market share and net patient services revenues of the Corporation. Conversely, participation may result in lower net income if the Corporation is unable to adequately contain its costs. Thus, managed care poses a significant business risk that hospitals face.

The growth of alternative delivery systems such as managed care organizations can have a negative impact on hospitals in several ways. First, a hospital generally will not be able to serve the patients of alternative delivery systems with which it does not contract. Second, a hospital generally is required to substantially reduce its charges to obtain a contract to service alternative delivery system patients. Third, the alternative delivery systems market is becoming increasingly competitive and many of the alternative delivery systems with which the Corporation has contacted may not survive, which may result in the Corporation being responsible for providing services for which the Corporation may not ultimately be compensated.

Clinical Trials. The Corporation provides services to patients who participate in government and privately-sponsored clinical research trials. The Corporation's members enter into agreements with clinical trial sponsors where the sponsor may agree to pay for limited services provided to the patient at the Corporation's hospital. The Corporation does not contract directly with sponsors for payment. The Corporation negotiates with its members to receive payment based on a percentage of charges for services the Corporation provides to clinical research trial participants. If the Corporation's members reduce the level of clinical research trials at the Corporation, the Corporation's net patient services revenues may be reduced.

Physician Recruitment. The IRS and OIG have issued various pronouncements that could limit physician recruiting and retention arrangements. In IRS Revenue Ruling 97-21, the IRS ruled that tax-exempt hospitals that provide recruiting and retention incentives to physicians risk loss of tax-exempt status unless the incentives are necessary to remedy a community need and accordingly provide a community benefit; improvement of a charitable hospital's financial condition does not necessarily constitute such a purpose. The OIG has taken the position that any arrangement between a federal healthcare program-certified facility and a physician that is intended to encourage the physician to refer patients may violate the federal Anti-Kickback Statute unless a regulatory exception applies. Physician recruitment and retention arrangements may also implicate the Stark Law. While the OIG has promulgated a practitioner recruitment safe harbor to the Anti-Kickback Statute, it is limited to recruitment in areas that are health professional shortage areas ("HPSPAs"). The Stark Law exception for practitioner recruitment is not limited to HPSAs, rather it applies to the recruitment of physicians who are relocating their practices to the geographic area served by the hospital, if certain requirements are met. The Stark Law also contains an exception pertaining to retention arrangements which allows hospitals, in limited circumstances, to pay incentives to retain a physician in underserved areas.

Although the Corporation has not directly recruited any physicians, the Corporation makes support payments to the University of Washington for certain physician recruitment activities. Management of the Corporation believes that these physician recruitment arrangements are in material compliance with these laws and regulations, but no assurance can be given that regulatory authorities will not take a contrary position or that the Corporation will not be found to have violated applicable law, or that future laws, regulations or policies will not have a material adverse impact on the ability of the Corporation to recruit and retain physicians.

Emergency Medical Treatment and Active Labor Act. The federal Emergency Medical Treatment and Labor Act ("EMTALA") imposes certain requirements on hospitals and facilities with emergency departments. Generally, EMTALA requires that hospitals provide "appropriate medical screening" to patients who come to the emergency department to determine if an emergency medical condition exists. On August 1, 2006, CMS released a rule finalizing two revisions to current EMTALA regulations, one relating to who can certify false labor and the other requiring that all Medicare-participating hospitals with specialized capabilities, including Specialty Hospitals, must accept appropriate transfers of unstable individuals, regardless of whether the hospital with specialized capabilities has an emergency department. The Corporation does not operate an emergency department, but may qualify as a Specialty Hospital.

Failure to comply with EMTALA may result in a hospital's exclusion from the Medicare and/or Medicaid programs, as well as civil monetary penalties. As such, failure of the Corporation to meet its responsibilities under EMTALA could adversely affect the financial condition of the Corporation.

Management of the Corporation believes its policies and procedures are in material compliance with EMTALA, but no assurance can be given that a violation of EMTALA will not be found. Any sanctions imposed as a result of an EMTALA violation could have a material adverse effect on the future operations or financial condition of the Corporation.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities may aggressively pursue perceived violations of health care laws. In the current regulatory climate, it is anticipated that many hospitals and physician groups may be subject to an audit, investigation, or other enforcement action regarding the health care fraud laws mentioned above. The cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse

costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could also be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance.

Joint Ventures. The OIG has expressed its concern in various advisory bulletins that many types of joint venture arrangements involving hospitals may implicate the Anti-Kickback Statute, since the parties to joint ventures are typically in a position to refer patients of federal health care programs. In its 1989 Special Fraud Alert, the OIG raised concern about certain physician joint ventures where the intent is not to raise investment capital to start a business but rather to "lock up a stream of referrals from the physician investors and compensate these investors indirectly for these referrals." The OIG listed various features of suspect joint ventures, but noted that its list was not exhaustive. These features include: (i) whether investors are chosen because they are in a position to make referrals; (ii) whether physicians with more potential referrals are given larger investment interests; (iii) whether referrals are tracked and referral sources shared with investing physicians; (iv) whether the overall structure is a "shell" (i.e., one of the parties is an ongoing entity already engaged in a particular line of business); and (v) whether investors are required to invest a disproportionately small amount or are paid extraordinary returns in comparison with their risk.

In April 2003, the OIG issued a Special Advisory Bulletin, which indicated that "contractual joint ventures" (where a provider expands into a new line of business by contracting with an entity that already provides the items or services) may violate the Anti-Kickback Statute and that expressed skepticism that existing statutory or regulatory safe-harbors would protect suspect contractual joint ventures. In January, 2005, the OIG published its Supplemental Program Guidance for hospitals and reiterated its concerns regarding joint ventures entered into by hospitals.

In addition, under the federal tax laws governing Section 501(c)(3) organizations, a tax-exempt hospital's participation in a joint venture with for-profit entities must further the hospital's exempt purposes and the joint venture arrangement must permit the hospital to act exclusively in the furtherance of its exempt purposes, with only incidental benefit to any for-profit partners. If the joint venture does not satisfy these criteria, the hospital's tax-exemption may be revoked, the hospital's income from the joint venture may be subject to tax, or the parties may be subject to some other sanction.

Finally, many hospital joint ventures with physicians may also implicate the federal Stark Law.

Any evaluation of compliance with the Anti-Kickback Statute or tax laws governing Section 501(c)(3) organizations depends on the totality of the facts and circumstances, while the Stark Law requires strict compliance with an exception if the prohibition is triggered. While management of the Corporation believes that the joint venture arrangements to which the Corporation is a party are in material compliance with the Anti-Kickback Statute, OIG pronouncements, the tax laws governing Section 501(c)(3) organizations, and the Stark Law, any determination that the Corporation is not in compliance could have a material adverse effect on the future financial condition of the Corporation.

The Corporation has entered or is in the process of entering into joint ventures with physicians. The ownership and operation of certain of these joint ventures may not meet safe harbors under the Anti-Kickback Statute. Management of the Corporation has proceeded or is proceeding with the transactions related to the joint ventures on the assumption, after consultation with its legal counsel, that each of the transactions related to the joint ventures is in compliance with the Stark Law and the tax laws governing Section 501(c)(3) organizations, and is otherwise generally in compliance with the Anti-Kickback Statute. However, there can be no assurance that regulatory authorities will not take a contrary position or that such transactions will not be found to have violated the Stark Law, the tax laws governing Section 501(c)(3) organizations and/or the Anti-Kickback Statute. Any such determination could have a material adverse effect on the financial condition of the Corporation.

Enforcement Affecting Clinical Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also heightened enforcement of laws and regulations governing the conduct of clinical trials at hospitals. HHS elevated and strengthened its Office of Human Research

Protections, one of the agencies with responsibilities for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials are conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. The FDA's inspection of facilities has increased significantly in recent years. These agencies' enforcement powers range from substantial fines and penalties to exclusions of researchers and suspension or termination of entire research programs.

Privacy Laws. In addition to provisions governing the portability of health insurance and health care fraud, HIPAA includes administrative simplification provisions ("AS Provisions") intended to reduce costs and administrative burdens in the health care industry by standardizing the electronic transmission of many administrative and financial transactions that currently are carried out manually on paper or in many different electronic formats. The AS Provisions also impose privacy and security requirements on entities covered by HIPAA ("Covered Entities") as well as mandate other standards such as national identifiers. Covered Entities must also enter into contracts with their business associates with whom they share protected health information to assure that such information is appropriately safeguarded and that other HIPAA requirements are met.

Under the final transaction and code set regulations promulgated by HHS, Covered Entities must use the prescribed standards for designated electronic transactions as of October 2003. The final HIPAA privacy regulations impose requirements on the use and disclosure of protected health information, create individual rights, and mandate certain administrative requirements for Covered Entities. Additionally, final HIPAA security regulations require Covered Entities to assess risks and develop and implement appropriate security measures to protect individually identifiable health information, with particular focus on administrative procedures, physical safeguards, technical security services, and technical security mechanisms. Penalties for noncompliance with the AS Provisions include civil monetary penalties of up to $100 for any violation not to exceed $25,000 in any calendar year for identical violations. Criminal penalties include up to $50,000 in fines and/or one year imprisonment for wrongful disclosure of individually identifiable health information; $100,000 and/or imprisonment of not more than five years for wrongful disclosure under false pretenses; and up to $250,000 and/or 10 years imprisonment for wrongful disclosure with the intent to sell, transfer, or use individually identifiable health information for commercial advantage, personal gain, or malicious harm. Other state and federal laws also impact how the Corporation may use personal and financial information of its patients.

The Corporation has made a concerted effort to comply with all of the AS Provisions and other applicable privacy laws and continues to work with the fiscal intermediaries, electronic claim submission clearing houses, and the insurance carriers in order to ensure that all financial transaction data sets are compliant with the new regulations. Management cannot predict if additional regulations, amendments or interpretations might increase the Corporation's costs or impair timely collections from Covered Entities.

Voluntary Corporate Compliance. The Corporation has adopted and implemented a voluntary corporate compliance program, called the Corporate Integrity Plan (the "Compliance Plan") designed in light of the applicable compliance guidance offered by the OIG. The purpose of a Compliance Plan is to detect and deter violations of law. One of the major goals of the Compliance Plan is to identify and address issues involving the submission of claims to governmental payers such as Medicare and Medicaid and whether those claims comply with statutes, regulations and other guidance provided by the programs. Integral components of the Compliance Plan include a code of conduct, adoption of written standards, education, policies and procedures, auditing and monitoring, remediation of identified issues, and encouraging employees to identify potential issues.

It is possible that the Compliance Plan may bring to the attention of the Corporation issues with respect to prior practices and payments. Depending upon the nature of the issue and whether an overpayment has occurred, such a discovery may result in either voluntary or involuntary refunds to governmental payers. Enforcement authorities take into account the existence and efficacy of a provider's voluntary compliance efforts in assessing the application and severity of penalties for a violation of federal or state rules governing reimbursement to or business relationships among providers of medical services; however, the decision of whether and how much weight to attach to voluntary compliance efforts is solely within the enforcement authorities' discretion.

Voluntary Disclosures and Refunds. The Corporation strives to be a good corporate citizen, including full compliance with all laws and regulations. If the Corporation learns that it has submitted claims that do not comply with statutes, regulations or other guidance provided by governmental programs, then one of its options is the voluntary disclosure of the issue to the affected program and a voluntary repayment.

Accreditations

The Corporation is subject to periodic review by The Joint Commission and various federal, state and local agencies. Failure to receive accreditation or licensure could have a material adverse impact on the Corporation.

Future Legislation

Legislation is periodically introduced in the U.S. Congress and in the Washington legislature that could result in limitations on hospital revenues, reimbursement, costs or charges or that could require an increase in the quantity of indigent care required to maintain charitable status. The effects on the Corporation of such legislation, if enacted, cannot accurately be determined at this time.

In addition to legislative proposals previously discussed herein, other legislative proposals that could have an adverse effect on the Corporation include: (a) any changes in the taxation of non-profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount or availability of tax exempt financing for corporations described in Section 501(c)(3) of the Code; and (c) regulatory limitations affecting the Corporation's ability to undertake capital projects or develop new services.

Legislative bodies have considered legislation concerning the charity care standards that non-profit, charitable hospitals must meet to maintain their federal income tax exempt status under the Code and legislation mandating non-profit, charitable hospitals to have an open-door policy toward Medicare and Medicaid patients as well as offer, in a non-discriminatory manner, qualified charity care and community benefits. Excise tax penalties on non-profit, charitable hospitals that violate these charity care and community benefit requirements could be imposed or their tax-exempt status under the Code could be revoked. The scope and effect of legislation, if any, which may be adopted at the federal or state levels with respect to charity care of non-profit hospitals cannot be predicted. Any such legislation or similar legislation, if enacted, may have the effect of subjecting a portion of the income of the Corporation to federal or state income taxes or to other tax penalties and adversely affect the ability of the Corporation to generate net revenues sufficient to meet its obligations and to pay the debt service on the Bonds and its other obligations.

State Budgets

Many states, including Washington, face severe financial challenges, including erosion of general fund tax revenues. These factors have resulted in a shortfall between revenue and spending demands. The financial challenges facing states may negatively affect hospitals in a number of ways, including, but not limited to, a greater number of indigent patients who are unable to pay for their care and a greater number of individuals who qualify for Medicaid and/or reductions in Medicaid reimbursement rates.

Business and Occupation Taxes

Hospitals in the State are subject to a 1.5% tax on gross receipts, which is used to fund a health plan for people otherwise uninsured. Under State tax law, any hospital meeting the definition of a "health or social welfare organization" is allowed to deduct revenues received from Medicare, Medicaid and other governmental programs in calculating the business and occupation tax, except that the State has denied the deduction for such revenues if processed through a managed care organization for the period ending July 14, 2001. The Corporation believes that it meets the definition of a health or social welfare organization and is currently deducting such revenues**.** The amount of the tax and the continued ability to deduct governmental revenues is subject to change by the State legislature.

Healthcare Professionals and Other Employees

Employee/Labor Relations and Collective Bargaining. The ability of the Corporation to employ and retain qualified employees, and their ability to maintain good relations with such employees and the unions they may be represented by, affect the quality of services to patients and the financial condition of the Corporation. For a discussion of the employees of the Corporation, existing union relationships and the Corporation's relationship with its employees, see the discussion under the caption "EMPLOYEES" in Appendix A hereto.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions. For large employers such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and/or settlements. A major class action decided or settled adversely to the Corporation could have a material adverse impact on its financial condition and result of operations.

Staffing Shortages. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, radiation technicians, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs, will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, certain of these risks may not be covered by insurance. For example, some antitrust claims or business disputes are not covered by insurance and may, in whole or in part, become a direct liability of the Corporation if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Antitrust

Enforcement of the antitrust laws against health care providers is becoming more common, and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, third-party contracting, physician relations, and joint venture, merger, affiliation and acquisition activities. In some respects, the application of the federal and state antitrust laws to health care is still evolving, and enforcement activity by federal and state agencies appears to be increasing. In particular, the Federal Trade Commission (the "FTC") has publicly acknowledged increasing enforcement action in the area of physician joint contracting. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. Violation of the antitrust laws could subject a hospital to criminal and civil enforcement by federal and state agencies, as well as treble damage liability by private litigants. At various times, the Corporation may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, and use of a hospital's local market power for entry into related health care businesses. From time to time, the Corporation may be

involved in joint contracting activity with other hospitals or providers. The precise degree to which this or similar joint contracting activities may expose the Corporation to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time. A U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review, and therefore may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on the Corporation.

Business Relationships

Integrated Physician Groups. The Corporation, owns, controls or has affiliations with relatively large physician groups and numbers of physicians. Generally, the sponsoring hospital will be the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

Integrated delivery systems carry with them the potential for legal or regulatory risks in varying degrees. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization.

Hospital Pricing. Inflation in hospital costs may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services.

Physician Medical Staff. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, including antitrust claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Physician Supply. Sufficient community-based physician supply is important to hospitals and health systems. The shortage of physicians could become a significant issue for health providers to face in the coming years. In addition, CMS annually reviews overall physician reimbursement formulas. Changes to physician compensation formulas could lead to physicians locating their practices in communities with lower Medicare populations. The Corporation may be required to invest additional resources for recruiting and retaining physicians, or may be required to increase the percentage of employed physicians in order to continue serving the growing population base and maintain market share.

Environmental Laws and Regulations

The Corporation is subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include, but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

The Corporation may be subject to requirements related to investigating and remedying hazardous substances located on its property, including such substances that may have migrated off of its property. Typical hospital operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance. There is no assurance that the Corporation will not encounter such problems in the future, and such problems may result in material adverse consequences to the operations or financial condition of the Corporation.

Management of the Corporation is not aware of any pending or threatened claim, investigation or enforcement action regarding such environmental issues which, if determined adversely to the Corporation, would have a material adverse effect on the Corporation's financial condition.

The Master Trustee or the Bond Trustee may decline to enforce the Master Trust Indenture or the Bond Indenture, as the case may be, if the related Trustee has not been indemnified to its satisfaction, in accordance with its Indenture, for all liabilities it may incur as a consequence thereof. Such liabilities may include, but are not limited to, costs associated with complying with environmental laws and regulations.

Technological Changes

Medical research and resulting discoveries have grown exponentially in the last decade. These new discoveries may add greatly to the hospitals' costs of providing services with no or little offsetting increase in federal reimbursement and may also render obsolete certain of the health services provided by hospitals. New drugs and devices may increase hospitals' expense because, for the most part, the costs of new drugs and devices are not typically accounted for in the DRG payment received by hospitals for inpatient care and are often not covered for outpatient services.

Enforcement of Remedies

The obligations of the Obligated Group Members under the Master Indenture and the Master Indenture Obligations are general obligations of the Obligated Group Members and are secured only by the security interest granted to the Master Trustee in the Gross Receivables of the Obligated Group Members and the lien and security interest granted to the Master Trustee under the Deed of Trust. Enforcement of the remedies mentioned under the headings "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE – Acceleration; Annulment of Acceleration," "– Additional Remedies and Enforcement of Remedies" and ""SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE DEED OF TRUST" in Appendix C hereto and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – THE BOND INDENTURE – Events of Default; Remedies" and "SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT – LOAN AGREEMENT – Remedies on Default" in Appendix D hereto may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures.

If an Obligated Group Member were to file a petition for relief under Title 11 of the United States Code (the "Bankruptcy Code"), the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such Obligated Group Member and any interest it has in property. If a bankruptcy court so ordered, such Obligated Group Member's property, including its accounts receivable and proceeds thereof, could be used, at least temporarily, for the benefit of such Obligated Group Member's bankruptcy estate despite the claims of its creditors.

In a case under the current Bankruptcy Code, an Obligated Group Member could file a plan of reorganization. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of all claims against such an Obligated Group Member, and could result in the modification of rights of any class of creditors, secured or unsecured. To confirm a plan of reorganization, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and two-thirds in amount vote in favor of a plan. Approval by classes of interests requires a vote in favor of the plan by two-thirds in amount. If these levels of votes are attained, those voting against the plan or not voting at all are nonetheless bound by the terms thereof. Other than as provided in the confirmed plan, all claims and interests are discharged and extinguished. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and the dissenting claims and interests would be bound thereby. For this to occur, one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the nonconsenting class. A plan is fair and equitable if each class is treated in accordance with its credit priority and no class receives a distribution until senior classes are paid in full. The Bankruptcy Code establishes different fair and equitable tests for secured claims and interest holders. To be confirmed, the bankruptcy court must also determine that a plan, among other requirements, provides creditors with more than would be received in the event of liquidation, is proposed in good faith, and that the debtor's performance is feasible.

Risks Related to Obligated Group Financings

The obligations of the Members of the Obligated Group under the Master Indenture Obligations, the Master Indenture and the Deed of Trust will be limited to the same extent as the obligations of any debtor under applicable federal and state laws governing bankruptcy, insolvency and avoidance of fraudulent transfers and the application of general principles of creditors' rights and as additionally described below. Although, upon the issuance of the Bonds, the Corporation will be the only Obligated Group Member, the Master Indenture permits the addition of other Obligated Group Members if certain conditions are met. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE – Entrance Into the Obligated Group" in Appendix C hereto.

The joint and several obligations described herein of the Members of the Obligated Group to make payments of debt service on the Master Indenture Obligations issued pursuant to and under the Master Indenture may not be enforceable to the extent (1) enforceability may be limited by applicable bankruptcy, moratorium, reorganization, fraudulent conveyance or similar laws affecting the enforcement of creditors' rights and by general equitable principles or (2) such payments (a) are requested to be made with respect to payments on any Master Indenture Obligation that is issued for a purpose that is not consistent with the charitable purposes of the Member of the Obligated Group from which such payment is requested or that is issued for the benefit of any entity other than a tax-exempt organization; (b) are requested to be made from any money or assets that are donor restricted or that are subject to a direct or express trust that does not permit the use of such money or assets for such payment; (c) would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Member of the Obligated Group from which such payment is requested; or (d) are requested to be made pursuant to any loan violating applicable usury laws. The extent to which the money or assets of any present or future Member of the Obligated Group falls within the categories referred to above cannot be determined and could be substantial. The foregoing notwithstanding, the accounts of the Obligated Group Members are and will continue to be combined for financial reporting purposes and will be used in determining whether various covenants and tests contained in the Master Indenture (including tests relating to the issuance of Additional Indebtedness) are satisfied.

A Member of the Obligated Group may not be required to make any payment of any Master Indenture Obligation, or portion thereof, or the recipient of such payment may be compelled to return such payment, the

proceeds of which were not lent or otherwise disbursed to such Member to the extent that such payment would conflict with, or would be prohibited or avoidable under applicable laws.

The application of the law relating to the enforceability of guaranties or obligations of a Member of the Obligated Group to make debt service payments on behalf of another Member of the Obligated Group, is not amenable to an unqualified declaration of whether a transfer would be prohibited or subject to avoidance.

As a general matter, in addition to a transfer of property made with the actual intent to hinder, defraud or delay creditors, a transfer of an interest in property by an entity may be avoided if the transfer is made for less than "reasonably equivalent value" or "fair consideration" and the transferor (i) is insolvent (e.g., is unable to pay its debts as they become due), (ii) rendered insolvent by the transaction, (iii) is undercapitalized (i.e., operating or about to operate without property constituting reasonably sufficient capital given its business operations), or (iv) intended or expected to incur debts that it could not pay as they became due.

The lack of certainty in the treatment of transfers is attributable to several factors. First, there is no true uniform law governing fraudulent transfers. Such transfers may be avoided under the Bankruptcy Code, state law variants of the Uniform Fraudulent Transfer Act and its predecessor, the Uniform Fraudulent Conveyance Act, or other non-uniform statutes or common law principles. Second and more importantly, the standards for determining the reasonable equivalence of value, or the fairness of consideration, and the measure for determining insolvency are subjective standards resolved in the exercise of judicial discretion after engaging in a fact intensive analysis. This subjectivity has resulted in a conflicting body of case law and a lack of certainty as to whether a given transfers would be subject to avoidance.

In addition, the Bankruptcy Code provides a means to avoid transfers of a debtor's interests in property made on account of an antecedent debt within 90 days of the debtor filing for relief, or one year if the transferee is an "insider," if as a result of that transfer the transferee receives more than he would have received in a liquidation of the debtor under Chapter 7 of the Bankruptcy Code. Whether the creation of a lien, or a payment, made by a Member of the Obligated Group would be determined to be avoidable would be dependent on the particular circumstances surrounding the transfer.

There exists, in addition to the foregoing, common law authority and authority under various state statutes pursuant to which courts may terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that the corporation has insufficient assets to carry out its stated charitable purposes or has taken some action that renders it unable to carry out its purposes. Such court action may arise on the court's own motion or pursuant to a petition of the attorney general of a particular state or other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

Certain Matters Relating to Enforceability of Security Interest in Gross Receivables

The enforceability, priority and perfection of the security interest in Gross Receivables created under the Master Indenture may be limited by a number of factors, including, without limitation: (i) provisions prohibiting the direct payment of amounts due to health care providers from Medicaid and Medicare programs to persons other than such providers; (ii) the absence of an express provision permitting assignment of receivables due under the contracts between the Obligated Group Members and third-party payors, and present or future legal prohibitions against assignment; (iii) certain judicial decisions which cast doubt on the right of the Master Trustee, in the event of the bankruptcy of an Obligated Group Member, to collect and retain accounts receivable from Medicare, Medicaid and other governmental programs; (iv) commingling of proceeds of accounts receivable with other moneys of the Obligated Group Members not so pledged under the Master Indenture; (v) statutory liens; (vi) rights arising in favor of the United States of America or any agency thereof; (vii) constructive trusts or equitable or other rights impressed or conferred thereon by a federal or state court in the exercise of its equitable jurisdiction; (viii) federal and state laws governing fraudulent transfers as discussed above; (ix) federal bankruptcy laws that may affect the enforceability of the Master Indenture or the security interest in the Gross Receivables; (x) rights of third parties in Gross Receivables converted to cash and not in the possession of the Master Trustee; and (xi) claims that might arise if appropriate financing or continuation statements or amendments of financing statements are not filed in accordance with the Uniform Commercial Code, as from time to time in effect.

Accounts receivable of the Obligated Group which constitute Gross Receivables and are pledged as security under the Master Indenture may be sold or pledged if such sale or pledge is in accordance with the provisions of the Master Indenture. Any lien created under the Master Indenture on such accounts receivable would terminate and be immediately released upon any such sale or pledge with respect to any such accounts receivable so sold or pledged. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Master Indenture."

Matters Relating to the Security for the Bonds

Certain amendments to the Master Indenture may be made with the consent of the holders of a majority of the aggregate principal amount of outstanding Master Indenture Obligations. Such amount may be composed wholly or partially of the holders of the outstanding Master Indenture Obligations (including Master Indenture Obligations issued in the future) other than Master Indenture Obligations issued in connection with the issuance of the Bonds. Such amendments could be material and may adversely affect the security of the holders of the Bonds.

Although mortgaged to secure the Obligations issued under the Master Indenture, including without limitation Obligation No. 1, the outpatient facility of the Corporation is not a general purpose building and generally would not be suitable for industrial or commercial use. Consequently, it could be difficult to find a buyer or lessee for the facility if it were necessary to proceed against such facility, whether pursuant to a judgment, if any, against the Obligated Group or otherwise. Further, no appraisal has been made of the outpatient facility of the Corporation and its value may be significantly less than the principal amount of Obligation No. 1. As a result, upon any default, the Bond Trustee may not realize the amount necessary to pay the Bonds in full from the sale or lease of such facility.

Certain amendments to the Bond Indenture may be made with the consent of the holders of not less than a majority of the outstanding aggregate principal amount of the bonds outstanding under the Bond Indenture. Such amendments may adversely affect the security of the holders of the Bonds.

Pursuant to the terms of the Master Indenture, Obligated Group Members may incur additional Indebtedness (including Indebtedness secured by additional Master Indenture Obligations) that is entitled to the benefits of security that does not extend to any other Indebtedness (including Obligation No. 1). Such security may include liens on the Obligated Group's Property. See "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE – Limitation on Indebtedness" and "– DEFINITIONS – Permitted Liens" in Appendix C hereto.

Certain of the rights and remedies afforded to the holders of Master Indenture Obligations by the Master Indenture, including without limitation the right to demand acceleration of Master Indenture Obligations (including Obligation No. 1), may be controlled by the holders of a majority in aggregate principal amount of the Master Indenture Obligations.

Market for Bonds

Subject to prevailing market conditions, the Underwriters intend, but are not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance can be given that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so.

Tax Exempt Status; Continuing Legal Requirements

The tax exempt status of interest on the Bonds depends upon maintenance by the Corporation of its status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance with general rules based on the Code, regulations, and judicial decisions regarding the organization and operation of tax exempt hospitals and health systems. The IRS' interpretation of and position on these rules as they affect the organization and operation of health care organizations (for example, with respect to providing charity care, joint ventures, physician and executive compensation, physician recruitment and retention, etc.) are constantly

evolving. The IRS reserves the right to, and in fact occasionally does, alter or reverse its positions concerning tax-exemption issues, even concerning long-held positions upon which tax-exempt health care organizations have relied.

In addition, the IRS has asserted that tax-exempt hospitals that are in violation of Medicare and Medicaid regulations regarding inducement for referrals may also be subject to revocation of their tax-exempt status. Because a wide variety of hospital-physician transactions potentially violate these broadly stated prohibitions on inducement for referrals, the IRS has broadened the range of activities that may directly affect tax exemption, without defining specifically how those rules will be applied. As a result, tax-exempt hospitals, particularly those that have extensive transactions with physicians, are currently subject to an increased degree of scrutiny and perhaps enforcement by the IRS. The IRS's policy position is not necessarily indicative of a judicial adjudication of the applicable issues.

Section 4958 of the Code imposes excise taxes on "excess benefit transactions" between "disqualified persons" and tax-exempt organizations such as the Corporation. According to the legislative history and regulations associated with Section 4958, these excise taxes may be imposed by the IRS either in lieu of or in addition to revocation of exemption. The legislation is potentially favorable to taxpayers because it provides the IRS with a punitive option short of revocation of exempt status to deal with incidents of private inurement. However, the standards for tax exemption have not been changed, including the requirement that no part of the net earnings of an exempt entity inure to the benefit of any private individual. Consequently, although the IRS has only infrequently revoked the tax exemption of nonprofit healthcare corporations in the past, the risk of revocation remains and there can be no assurance that the IRS will not direct enforcement activities against the Corporation.

In 1990, the Employee Plans and Exempt Organizations Division of the IRS expanded the Coordinated Examination Program (referred to as "CEP") of the IRS to tax-exempt health care organizations. CEP audits are conducted by teams of revenue agents. The CEP audit teams consider a wide range of possible issues, including the community benefit standard, private inurement and private benefit, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, tax-exempt bond financing, political contributions and unrelated business income.

The Corporation could be audited by the IRS. Management of the Corporation believes that it has properly complied with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, a CEP audit could result in additional taxes, interest and penalties. A CEP audit could ultimately affect the tax-exempt status of the Corporation.

On August 10, 2004, the IRS announced a new enforcement effort (referred to as the "Tax Exempt Compensation Enforcement Project") to identify and curb abuses by charities that pay excessive compensation and benefits to officers and other insiders. The IRS will implement this new effort by contacting nearly 2,000 charities about their compensation practices and procedures. The project's goals are to address the compensation of specific individuals, influence how organizations set compensation, and learn about existing practices. The inquiry will involve both large and small charities, and will also investigate insider transactions, including loans, leases, and other transfers of income and assets to officers and insiders. As a result of such inquiry, the IRS could seek to use the entire range of its enforcement activities, including penalties for filing incorrect information, intermediate sanctions, and revocation of the organization's exempt status.

Loss of tax-exempt status by the Corporation could result in loss of the exclusion from gross income of the interest on the Bonds that, in turn, could result in a default under the Bond Indenture, potentially triggering an acceleration of the Bonds. Any such event would have material adverse consequences for the future financial condition and results of operations of the Corporation. Additionally, the loss of federal tax-exempt status by the Corporation could adversely affect its access to future tax-exempt financing.

As described herein under the caption "TAX MATTERS," failure to comply with certain legal requirements may cause the interest on the Bonds to become included in gross income of the recipients thereof for federal income tax purposes. In such event, the Bonds may be accelerated, at the discretion of the Bond Trustee or, at the written request of holders of not less than 25% of the aggregate principal amount of all the Bonds then outstanding under the Bond Indenture. The Bond Indenture does not provide for the payment of any additional interest or penalty in the event the interest on the Bonds is determined to be includible in gross income for federal income tax purposes.

The IRS, in an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes has recently reviewed a number of bond issues and concluded that such bond issues did not comply with applicable provisions of the Code and related regulations. The IRS has typically entered into closing agreements with issuers and beneficiaries of such bond issues under which payments have been made to the IRS. No assurance can be given that the IRS will not examine a Bondholder, the Corporation or the Bonds. If an audit is commenced, under current procedures, the IRS may treat the issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. If the Bonds are examined, it may have an adverse impact on their marketability and price (regardless of the ultimate outcome of the audit) and could also result in substantial payments by the Corporation to resolve issues raised by the IRS.

Bond Ratings

Bond ratings reflect only the views of the rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be revised downward or upward or withdrawn entirely by any of such rating agencies if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds.

Additional Debt

The Master Indenture permits the issuance of additional Master Indenture Obligations on a parity with Obligation No. 1 and the other outstanding Master Indenture Obligations and the incurrence of additional Indebtedness by the Obligated Group if certain tests are met. See the information in Appendix C hereto under the caption "SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST – THE MASTER INDENTURE – Limitation on Indebtedness." See "SECURITY FOR THE BONDS – The Master Indenture" above.

Investment Income

During certain fiscal years, investment income has constituted a significant portion of the net income of the Corporation. In other years, the Corporation has experienced losses on its investments. No assurance can be given that the investments of the Corporation will produce positive returns or that losses on investments will not occur in the future.

To the extent investment returns are lower than anticipated or losses on investments occur, the Corporation may also be required to make additional deposits in connection with pension fund liabilities.

Additional Risk Factors

The following factors, among others, may also adversely affect the operation of health care facilities, including the facilities of the Corporation, to an extent that cannot be determined at this time:

1. Increased efforts by insurers and governmental agencies to limit the cost of hospital services (including, without limitation, the implementation of a system of prospective review of hospital rate charges and negotiating discounted rates), to reduce the number of hospital beds and to reduce utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety, and outpatient care.

2. Cost increases without corresponding increases in revenue could result from, among other factors: increases in the salaries, wages, and fringe benefits of hospital and clinic employees; increases in costs associated with advances in medical technology or with inflation; or future legislation which would prevent or limit the ability of the Corporation to increase revenues.

3. Any termination or alteration of existing agreements between the Corporation and individual physicians and physician groups who render services to the patients of the Corporation or any termination or alteration of referral patterns by individual physicians and physician groups who render services to the patients of the Corporation with whom the Corporation does not have contractual arrangements.

4. Future contract negotiations between public and private insurers, employers and participating hospitals, including the hospitals with which the Corporation is affiliated, and other efforts by these insurers and employers to limit hospitalization costs and coverage could adversely affect the level of reimbursement to the Corporation.

5. An inflationary economy and difficulty in increasing charges and other fees charged while at the same time maintaining the amount or quality of health services may affect the Corporation's operating margins.

6. The cost and effect of any future unionization of employees of the Corporation.

7. The possible inability to obtain future governmental approvals to undertake projects necessary to remain competitive both as to rates and charges as well as quality and scope of care could adversely affect the operations of the Corporation.

8. Imposition of wage and price controls for the health care industry, such as those that were imposed and adversely affected health care facilities in the early 1970s.

9. Increased unemployment or other adverse economic conditions which could increase the proportion of patients who are unable to pay fully for the cost of their care. In addition, increased unemployment caused by a general downturn in the economy of the Corporation's service area or by the closing of operations of one or more major employers in such service areas may result in a significant change in the demographics of such service area, such as a reduction in the population.

10. Limitations on the availability of and increased compensation necessary to secure and retain nursing, technical or other professional personnel.

11. Changes in law or revenue rulings governing the nonprofit or tax-exempt status of charitable corporations such as the Corporation, such that nonprofit corporations, as a condition of maintaining their tax-exempt status, are required to provide increased indigent care at reduced rates or without charge or discontinue services previously provided.

12. Efforts by taxing authorities to impose or increase taxes related to the property and operations of nonprofit organizations or to cause nonprofit organizations to increase the amount of services provided to indigents to avoid the imposition or increase of such taxes.

13. Proposals to eliminate the tax-exempt status of interest on bonds issued to finance health facilities, or to limit the use of such tax-exempt bonds, have been made in the past, and may be made again in the future. The adoption of such proposals would increase the cost to the Corporation of financing future capital needs.

In the future, other events may adversely affect the operations of the Corporation, as well as other health care facilities, in a manner and to an extent that cannot be determined at this time.

ABSENCE OF LITIGATION AFFECTING BONDS

The Authority

There is no controversy or litigation of any nature now pending against the Authority or, to the knowledge of its officers, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Authority taken with respect to the

issuance or sale thereof, or the pledge or application of any money or security provided for the payment of the Bonds or the existence or powers of the Authority.

The Corporation

There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof, or the pledge or application of any money or security provided for the payment of the Bonds. See "LITIGATION" in Appendix A hereto.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of the opinion of Bond Counsel is contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Jones Day, Chicago, Illinois; for the Authority, by its special counsel, Orrick, Herrington & Sutcliffe LLP, and for the Corporation, by its counsel, Foster Pepper PLLC, Seattle, Washington.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Authority and the Corporation have made certain representations and have covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of Foster Pepper PLLC, Seattle, Washington, Counsel to the Corporation, regarding the current qualification of the Corporation as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the Corporation concerning the Corporation's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the Corporation has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the Corporation can give or has given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (the "IRS"). Failure of the Corporation to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to the Corporation's charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Bonds being included in federal gross income, possibly from the date of the original issuance of the Bonds.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the Corporation have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the

Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the Authority, the Corporation or the Beneficial Owners to incur significant expense.

UNDERWRITING

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and Banc of America Securities LLC (collectively, the "Underwriters"). The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Authority at an aggregate purchase price of $86,934,478.15 (representing an underwriting discount of $884,700.00, an original issue discount of $2,371,189.45 and an original issue premium of $190,367.60). Under the purchase contract, the Underwriters will be obligated to purchase all such Bonds if any are purchased.

The Bonds may be offered and sold to certain dealers (including the Underwriters) and others at a price lower or yields higher than the initial public offering price shown on the cover page of this Official Statement, and such price may be changed, from time to time, by the Underwriters.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch, Inc. ("Fitch") have assigned the Bonds a rating of "A3" and "A+," respectively.

The Corporation has furnished the rating agencies with certain information and materials relating to the Bonds and the Corporation that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies, and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Except as set forth below under "CONTINUING DISCLOSURE," neither the Authority, the Underwriters nor the Corporation has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds. The ratings and an explanation of their significance may be obtained from the rating agency furnishing such rating. Such ratings reflect only the respective views of the rating agency.

CONTINUING DISCLOSURE

The Corporation, on behalf of itself and any future Members of the Obligated Group, will enter into an undertaking (the "Undertaking") for the benefit of the holders of Bonds to provide certain information annually and quarterly and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, including termination, amendment and remedies, are set forth in Appendix F. The Corporation has entered into a Continuing Disclosure Agreement containing the Undertaking with the Dissemination Agent under which the Corporation has designated the Dissemination Agent to act as dissemination agent.

Failure by the Corporation to comply with the Undertaking will not constitute an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement and holders of Bonds are limited to the remedies described in the Undertaking upon such failure. See Appendix F. Failure by the Corporation to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, any such failure may adversely affect the transferability and liquidity of the Bonds and their market price.

INDEPENDENT AUDITORS

The consolidated financial statements of Seattle Cancer Care Alliance and Affiliate as of June 30, 2008 and 2007 and for the years then ended, included in Appendix B to this Official Statement, have been audited by KPMG LLP, independent accountants, as stated in their report appearing herein.

AFFILIATES INCLUDED IN FINANCIAL STATEMENTS

The audited consolidated financial statements of Seattle Cancer Care Alliance and Affiliate are included in Appendix B, to this Official Statement and are consolidated in accordance with accounting principles generally accepted in the United States. The audited consolidated financial statements include Seattle Cancer Care Alliance House ("SCCA House") which is not a Member of the Obligated Group or obligated on Obligation No. 1. Total combined or consolidated net assets for the fiscal year ended June 30, 2008 for SCCA House were less than 1.3% of the Corporation's and SCCA House's combined totals.

FINANCIAL ADVISOR TO THE CORPORATION

Kaufman Hall & Associates, Skokie, Illinois, has served as financial advisor to the Corporation in connection with the financing described in this Official Statement. Kaufman Hall & Associates, Inc. is a national consulting firm which acts as capital advisor to health care organizations, particularly in the areas of short and long-term debt financing, mergers and acquisitions and overall capital planning.

FINANCIAL ADVISOR TO THE AUTHORITY

Public Financial Management, Inc., Seattle, Washington, has served as financial advisor to the Authority in connection with the financing described in this Official Statement. Public Financial Management, Inc. has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the Authority or the Corporation, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by Public Financial Management, Inc. respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

MISCELLANEOUS

The references herein to the Master Indenture, the Deed of Trust, Obligation No. 1, the Bond Indenture and the Loan Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to such instruments, documents and other material, copies of which will be on file at the principal office of the Bond Trustee in Seattle, Washington.

The appendices attached hereto are an integral part of this Official Statement and must be read together with all of the foregoing statements.

All information contained herein relating to the Corporation and its affiliates has been provided and approved by the Corporation for use within this Official Statement.

All projections, estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Bonds.

This Official Statement has been issued by the Authority and approved by the Corporation.

WASHINGTON HEALTH CARE FACILITIES AUTHORITY

By: /s/ Donna A. Fincke
Executive Director

Approved:

SEATTLE CANCER CARE ALLIANCE

By: /s/ Norman Hubbard
Executive Vice President

By: /s/ Jonathan M. Tingstad
Vice President and Chief Financial Officer

APPENDIX A

Information Concerning

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INTRODUCTION

Seattle Cancer Center Alliance ("SCCA") is a Washington nonprofit mutual and miscellaneous corporation, which is exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. SCCA was formed in June 1998, by the Fred Hutchinson Cancer Research Center ("FHCRC"), the University of Washington ("UW") and Seattle Children's Healthcare System (together with certain of its affiliates, "Children's") (collectively, the "Members") for the purpose of developing and offering a comprehensive program of integrated cancer care services.

The vision of the Members in creating SCCA was to enable each to accomplish more through the consolidation and coordination of certain aspects of their respective adult and pediatric medical oncology and hematology clinical programs. In January 2001, SCCA assumed the operation of the entire clinical oncology program previously operated by FHCRC and parts of the clinical oncology programs of UW and Children's. FHCRC continues to provide oncology research and educational services and UW and Children's continue to provide both clinical oncology services and research and education services. In addition to providing patient care, the clinical programs at SCCA serve as a source of research subjects for the clinical research programs conducted by its Members. SCCA focuses on improving the transfer of new diagnostic and treatment techniques from clinical research settings to community-based providers.

SCCA is also responsible for maintaining affiliations with local, regional, and national clinical cancer research groups; developing a system of community outreach, including educational seminars, cancer conferences, consultations, and similar clinical cancer support services; and coordinating the clinical cancer programs of the Members as they relate to regional and national cancer networks.

SCCA is a member of the Fred Hutchinson/University of Washington Cancer Consortium (the "Consortium"), which is a cancer research collaboration formed by FHCRC, UW and Children's. The Consortium has been designated as a "Comprehensive Cancer Center" by the National Cancer Institute ("NCI"). NCI is a division of the National Institutes of Health, which is a federal agency responsible for funding and overseeing cancer research. To be recognized by NCI as a Comprehensive Cancer Center, an institution must pass rigorous peer review. Under the NCI guidelines, it must perform research in three major areas: basic research; clinical research; and cancer prevention, control, and population-based research. The institution must also have a strong body of interactive research that bridges these research areas. In addition, Comprehensive Cancer Centers must conduct activities in outreach, education, and information provision, which are directed toward and accessible to both health care professionals and the lay community. NCI originally designated FHCRC as a Comprehensive Cancer Center in 1976. In January 2001, SCCA became the clinical research site of practice necessary to maintain the Consortium's Comprehensive Cancer Center designation. Only forty-one institutions in the United States are currently designated Comprehensive Cancer Centers by NCI and the Consortium is the only site located in the Pacific Northwest.

SCCA, together with FHCRC, also is a member of the National Comprehensive Cancer Network ("NCCN"). NCCN is an alliance of twenty-one leading cancer centers in the United States that provides information to help patients and health professionals make informed decisions about cancer care. Through the collective expertise of its member institutions, NCCN develops, updates, and disseminates a library of clinical practice guidelines. These guidelines serve as a standard for clinical policy in oncology and are distributed to clinicians and patients.

OBLIGATED GROUP

SCCA is currently the sole member of the Obligated Group. See "Security and Source of Payment – Security Under the Master Indenture" in the front portion of the Official Statement.

RELATED ENTITIES

SCCA Members

SCCA is organized as a nonprofit membership corporation. Each of the Members contributed one-third of SCCA's initial capital and retains a one-third capital and voting interest in SCCA. Each Member has the right to appoint five directors to SCCA's fifteen person Board of Directors (including those who serve on the Board of Directors *ex officio*). The Board of Directors may not without the approval of Members holding aggregating voting interests of at least seventy-five percent and the affirmative vote of seventy-five percent of the directors in office: (a) amend, alter or repeal certain provisions of SCCA's bylaws; (b) remove any director or the Chair of SCCA's Board of Directors; provided, that a Member may remove a director appointed by such Member at any time; (c) amend SCCA's Articles of Incorporation; (d) adopt a plan of merger or consolidation with another corporation; (e) authorize the sale, lease or exchange (or pledging as security) of all or substantially all of the property and assets of SCCA or any asset not in the ordinary course of business; (f) authorize the voluntary dissolution of SCCA or revoke proceedings therefore; (g) adopt a plan for the distribution of the assets of SCCA; (h) amend, alter or repeal any resolution of the Members; (i) initiate or resolve litigation in which SCCA is a party if the litigation or resolution would have a material adverse effect on the financial well-being or public perception of SCCA or its Members; (j) change the fundamental purposes of SCCA; (k) enter into any new line of business; or (l) authorize the relocation from the University of Washington Medical Center to another hospital facility of the twenty inpatient beds for which SCCA has been granted a hospital license. SCCA's annual budget also is subject to the approval of the Members.

No financial obligations of SCCA, including the repayment of the Series 2008 Bonds, have been guaranteed by any of SCCA's Members.

Fred Hutchinson Cancer Research Center

FHCRC is an independent nonprofit cancer research center whose mission is to eliminate cancer as a cause of human suffering and death. FHCRC currently receives more funding from the National Institutes of Health, including the National Cancer Institute, than any other independent U.S. research institute. This funding supports four scientific divisions within FHCRC that collaborate to conduct basic and applied research: public health sciences; clinical research, basic sciences and human biology. FHCRC also operates a cross-divisional institute called the Vaccine and Infectious Disease Institute.

FHCRC is recognized internationally for its pioneering work in bone marrow and stem cell transplantation and gene therapy research. Three members of FHCRC's faculty have been named Nobel laureates: E. Donnall Thomas, M.D.; Leland Hartwell, Ph.D.; and Linda Buck, Ph.D.

University of Washington

UW owns and operates the 450-bed University of Washington Medical Center ("UWMC") and the University of Washington School of Medicine ("UWSOM"). UWMC serves as a teaching hospital for the UWSOM and is a major research institution. UWMC is located on the campus of UW in Seattle, Washington, and serves as a regional primary care, referral and treatment center serving Washington, Alaska, Montana and Idaho residents. UWMC is currently ranked among the top ten hospitals in the

United States for cancer treatment by *U.S. News & World Report.* UWSOM ranks first in the nation among public medical schools and second overall for receipt of federal funding from the National Institutes of Health. UW is considered a leading center for the Human Genome Project.

UW also operates UW Medicine, which includes, in addition to UWMC and UWSOM, Harborview Medical Center, a 413-bed teaching and research hospital located in Seattle; UW Medicine Neighborhood Clinics, which operates seven primary care clinics located throughout the greater Seattle area and is staffed with approximately 70 health care providers; and The Association of University Physicians, doing business as UW Physicians, which is the group practice for 1,500 physicians and health care providers associated with UW Medicine.

UW, through UWSOM and UWMC, provides inpatient and outpatient cancer services in coordination with SCCA. UWMC's cancer services include a 66-bed hematology/oncology unit, surgical services, infusion therapy, radiation oncology, radiation therapy, adjuvant chemo-radiation therapy, bone marrow and stem cell transplantation, neuro-oncology, pain management, prostate brachytherapy, and pathology services.

Seattle Children's Healthcare System

Children's owns and operates the 250-bed Seattle Children's Hospital ("Children's Hospital") and fifty clinics and outreach programs. Children's Hospital serves as the pediatric referral center for Washington, Wyoming, Alaska, Montana and Idaho residents and is a major research institution. Children's Hospital is recognized nationally as a top ten pediatric hospital with respected pediatric bone tumor and brain tumor programs.

Children's, through Children's Hospital and its clinics, provides a broad range of pediatric oncology services in coordination with SCCA. The cancer services provided at Children's Hospital include a 33-bed hematology/oncology unit, surgical services, bone tumor, bone marrow and stem cell transplant, hematology, solid tumor oncology, neuro-oncology, radiation therapy and palliative care services.

Immaterial Affiliates

SCCA controls Seattle Cancer Care Alliance House and Seattle Cancer Care Alliance Proton Therapy Center, neither of which are members of the Obligated Group or Designated Affiliates. These affiliates represented less than 1.3 percent of the total combined or consolidated net assets of the Credit Group as of June 30, 2008, and for the year then-ended.

Seattle Cancer Care Alliance House

Seattle Cancer Care Alliance House ("SCCA House") is a Washington nonprofit corporation exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. SCCA House was formed in June 2007 by SCCA and SCCA is the sole corporate member. SCCA House was formed for the purpose of constructing and operating a facility to provide short-term housing to patients of SCCA and their family members, many of whom travel from outside the Seattle area to receive treatment at SCCA. For additional information regarding the SCCA House, see "FACILITIES AND SERVICES-SCCA House" below.

Seattle Cancer Care Alliance Proton Therapy Center

Seattle Cancer Care Alliance Proton Therapy Center ("SCCA Proton Therapy Center") is a Washington nonprofit corporation exempt from federal income taxation as an organization described in Section

501(c)(3) of the Code. SCCA Proton Therapy Center was formed in August 2008 by SCCA and SCCA is the sole corporate member. SCCA Proton Therapy Center was formed for the purpose of developing, constructing and equipping a proton therapy treatment center (the "Proton Facility") to be used by SCCA to provide proton therapy and related cancer treatment services. For additional information regarding the SCCA Proton Therapy Center, see "FUTURE PLANS" below.

GOVERNANCE AND MANAGEMENT

Board of Directors

SCCA's Board of Directors (the "Board") is composed of fifteen directors, including one *ex-officio* director. The directors (other than the *ex-officio* director) serve 3-year terms and have no term limits.

The Board has established the following committees:

- Executive Committee
- Compensation Committee
- Finance and Audit Committee
- Investment Committee
- Facilities Committee
- Integrity Committee.

Current Board members and officers, and their Member and professional affiliations, are as follows:

Name	Appointed By	Professional Affiliations	Term Expires
Carl Behnke	FHCRC	Co-Chair FHCRC Board of Ambassadors; Past Member and Former Chair, FHCRC Board of Trustees	7/09
Bob Gerth, *Treasurer*	FHCRC	SCCA Board Treasurer/Finance & Audit Committee; Past Member, FHCRC Board of Trustees; Partner, Deloitte & Touche, LLC (Retired)	7/10
Mark Groudine, M.D., Ph.D.	FHCRC	Executive Vice President & Deputy Director, FHCRC; Professor, Radiation Oncology, UWSOM	7/09
Rich Jones, *Chair*	FHCRC	SCCA Board Chair; FHCRC Board of Trustees; President & CEO, WA Society of Certified Public Accountants; Partner, Ernst & Young (Retired)	7/11
Myra Tanita	FHCRC	Executive Vice President and Chief Operating Officer, FHCRC	7/10
Shan Mullin, *Secretary*	UW	SCCA Board Secretary (Former Chair); UW Medicine Board; Past Member and Former Chair, FHCRC Board of Trustees; FHCRC Board of Ambassadors; Partner, Perkins Coie	7/09
Stephen P. Zieniewicz	UW	Executive Director, UWMC	N/A
Brooks G. Ragen	UW	Chair, SCCA Integrity Committee; Past Member and Former Chair UW Medicine Board; Chair, Board of Directors, McAdams Wright Ragen & Manzanita Capital	7/10
Ruth Mahan	UW	Vice Dean for Administration and Finance, UWSOM	7/11
Jonelle Johnson	UW	Past Member, UW Medicine Board; Senior Vice President &	7/11

Name	Appointed By	Professional Affiliations	Term Expires
		Western Region Manager, Global Treasury Management, Key Bank	
Sue Albrecht, *Vice Chair*	Children's	SCCA Vice Chair; Children's Hospital Board of Trustees (former Chair)	7/09
Pat Hagan	Children's	President & Chief Operating Officer, Children's Hospital	7/10
Linda Mattox	Children's	SCCA Board Chair (Former); Children's Hospital Board of Trustees	7/09
Robb Bakemeier	Children's	Children's Hospital Board of Trustees; President, Bakemeier Law Firm	7/10
Bruder Stapleton, M.D.	Children's	Chief Academic Officer & Senior VP, Children's Hospital; Ford/Morgan Professor and Chair, Department of Pediatrics, UWSOM; Associate Dean, UWSOM	7/09

Conflicts of Interest

Members of the Board have various relationships with service or product providers that may, from time to time, have dealings with SCCA, but these relationships are not considered to be material. The Board has established a conflict of interest policy to detect and manage such relationships.

Jonelle Johnson is Senior Vice President and Western Region Manager, Global Treasury Management, KeyBank National Association (the "Bank"). Payment of the principal of and interest on the Series 2001 Bonds, Series 2005 Bonds and SCCA House Series 2008 Bonds are supported by and payable from amounts drawn by the Trustee under an irrevocable direct pay letter of credit issued by the Bank. The Series 2001 Bonds, Series 2005 Bonds and SCCA House Series 2008 Bonds were underwritten by KeyBanc Capital Markets (formerly McDonald Investments Inc.), which is an affiliate of the Bank.

SCCA has entered into a variety of agreements with its Members relating to inpatient services, outpatient services and support functions including human resources, information technology, staffing, purchased services and supplies. See Note 9 to the audited consolidated financial statements attached as Appendix B for additional information regarding related party transactions between SCCA and its Members.

Management

Management of the daily activities of SCCA, together with the implementation of the policies and resolutions of SCCA's Board of Directors, is vested in SCCA's Executive Director and senior management. Summary biographical information concerning key members of management is provided below.

Frederick R. Appelbaum, M.D., President, 62, was named Executive Director of SCCA and Head of Medical Oncology at UWSOM in 1998. He has been Senior Vice President and Director of the Clinical Research Division at FHCRC since 1993. Dr. Appelbaum joined FHCRC's scientific staff in 1978, and in 1988 became a Full Member of the FHCRC faculty and a Professor of Medicine, Division of Oncology, at UWSOM. Dr. Appelbaum received his undergraduate education at Dartmouth College and his M.D. from Tufts University School of Medicine in 1972. He completed his internship and residency at the University of Michigan Medical Center and his fellowship in medical oncology at the National Cancer Institute. He is a diplomat on the American Boards of Internal Medicine and Medical Oncology, and is past chair of the Board of Scientific Advisors of the National Cancer Institute. Additionally, he has

been a board member of a number of scientific societies, including the American Society of Hematology, American Society of Clinical Oncology, and the American Society for Blood and Marrow Transplantation and is Chair of the Leukemia Committee of the Southwest Oncology Group. Dr. Appelbaum served two terms as an Associate Editor for *Blood* and also serves on the Editorial Boards of several additional scientific journals including *Leukemia, Tumor, American Journal of Hematology, Video Journal of Oncology, Bone Marrow Transplantation, Hematological Oncology, Cancer Biotherapy and Radiopharmaceuticals, Leukemia Research, Cytokines and Molecular Therapy Cancer Research Grants* and *Cancer Therapeutics*. Dr. Appelbaum is Head of FHCRC's Clinical Transplant Research Program in the Division of Clinical Research and Principal Investigator on several National Institutes of Health grants. He is the author of over 800 scientific articles and was the lead author on the first paper to describe the successful use of autologous marrow transplantation. Dr. Appelbaum's current areas of research interest center on the biology and treatment of hematologic malignancies.

Norman Hubbard, Executive Vice President, 50, came to SCCA in 1998. Before Mr. Hubbard joined SCCA, he was the Associate Vice President for Center Affairs at the University of Texas, M.D. Anderson Cancer Center in Houston, Texas. Before moving to Houston, Mr. Hubbard was Executive Director at the University of Maryland Cancer Center and Assistant Vice President at the University of Maryland Medical System in Baltimore, Maryland, and worked as a Senior Consultant at Oberfest Associates, Inc. in Philadelphia. Mr. Hubbard also held key positions at the Fairfax Hospital, Falls Church Virginia, Technical Dynamics, Inc., in Annandale, Virginia, and at the Inova Health System in Springfield, Virginia. Mr. Hubbard earned his MBA at the Wharton School, University of Pennsylvania in Philadelphia and his B.S. in Economics from George Mason University in Fairfax, Virginia.

Jonathan M. Tingstad, CPA, Vice President, Chief Financial Officer, 42, came to SCCA in 1999. Before Mr. Tingstad joined SCCA, he was the Vice President/Chief Financial Officer at Medalia HealthCare, LLC, in Seattle. Prior to Medalia HealthCare, Mr. Tingstad was Supervising Senior Accountant/Auditor at KPMG Peat Marwick Certified Public Accountants. Mr. Tingstad is an active member with the State of Washington – Licensed Certified Public Accountants, American Institute of Certified Public Accountants, and the Washington Society of Certified Public Accountants. Mr. Tingstad is a member of the Healthcare Financial Management Association and serves on the Finance Committee for the National Marrow Donor Program in Minneapolis, Minnesota. Mr. Tingstad earned his MBA and his bachelor's degree at UW. While at UW he was an active member in Beta Alpha Psi National Honor Accounting Fraternity, Phi Beta Kappa, and on the Golden Key National Honor Society.

Marc Stewart, M.D., Medical Director and Vice President, 56, came to SCCA in 2000. Dr. Stewart is a professor of Medicine at UWSOM, a member of the Clinical Research Division for FHCRC and Medical Director at SCCA. Before Dr. Stewart joined SCCA, he was the Vice Chair for Affiliate Relations, Department of Medicine and Professor of Medicine and Cell Biology at the University of Massachusetts Medical Center. Prior to the University of Massachusetts Medical Center, Dr. Stewart was Deputy Director for Clinical Affairs, Associate Professor of Cell Biology, Associate Professor of Medicine (with tenure), and Chief, Division of Hematology/Oncology at the University of Massachusetts Medical Center. Dr. Stewart also worked as a Director, Bone Marrow Transplantation Program, Associate Professor of Medicine (with tenure), the Division of Hematology/Oncology and Assistant Professor of Medicine, all at the University of Virginia in Charlottesville, Virginia. Dr. Stewart is an active member of the American Society of Hematology and the American Society of Clinical Oncology. Dr. Stewart is on the Editorial Board of the *Journal of Cellular Biochemistry,* the *Journal of Intense Care Medicine, and Leukemia.* Dr. Stewart earned his A.B. at Indiana University in Bloomington, Indiana, and his M.D. from Indiana University School of Medicine in Indianapolis, Indiana.

Madeline C. Buelt, MSN, RN, Chief Nurse Executive and Vice President of Operations, 56, came to SCCA in 2002. Before joining SCCA, Ms. Buelt was the Associate Administrator for Clinical Services

and the Chief Nursing Officer at the University of Utah Health Science Center. Prior to her position at Utah, Ms. Buelt was employed by the University of Nebraska Medical Center for eleven years, finishing her career there as Director of Patient Care and Service Line Manager for Oncology. Ms. Buelt obtained her Master of Science in Nursing Administration, Bachelor of Science in Nursing, and Associate of Science in Nursing from the University of Nebraska in Omaha, Nebraska. Ms. Buelt has 31 years of nursing and health care experience and has consulted in Uzbekistan, Brazil and Russia on public health and organization issues. She is a member of numerous professional organizations, including the Healthcare Financial Management Association, American Nurses Association, Oncology Nursing Society, and Sigma Theta Tau (Nursing Honor Society).

MEDICAL STAFF

SCCA's medical staff is limited to: (1) physicians and dentists who hold membership on the UWMC medical staff; (2) physicians on the research staff; and (3) other qualified allied health practitioners employed by SCCA, FHCRC, UW or Children's. In addition to being members of UWMC's medical staff, many of the members of SCCA's medical staff are also members of the medical staff of Children's Hospital and/or faculty members of FHCRC. Members of SCCA's Active Medical Staff are those who regularly care for patients at SCCA's inpatient hospital and/or its outpatient hospital facility and account for a majority of its inpatient admissions and outpatient encounters.

All physician members of SCCA's Medical Staff, whether affiliated primarily with UW, FHCRC or Children's Hospital, participate in the faculty practice plans administered by UW Physicians and/or Children's Physicians ("Children's Physicians"). UW Physicians is organized as a Washington nonprofit corporation and as an organization described in Section 501(c)(3) of the Code. Children's Physicians also is a pediatric faculty practice plan controlled by a Children's affiliate and UW Physicians. Children's Physicians is organized as a Washington nonprofit corporation and an organization described in Section 501(c)(3) of the Code. UW Physicians or Children's Physicians bill for all professional fees for patient care services provided by the physicians who practice at SCCA's facilities except professional fees that are subject to a negotiated case rate pursuant to managed care contracts negotiated on a global basis by SCCA. For such contracts, SCCA bills and collects all professional fees subject to case rates and distributes them to UW Physicians or Children's Physicians.

SCCA and its Members work cooperatively to recruit physicians to their staffs, as necessary to carry out their respective missions. In addition, although SCCA does not directly employ or collect professional fees for physicians serving its patients, under an agreement with UW, SCCA has agreed to pay a portion of UW's costs of recruiting and employing certain types of physicians and other practitioners, including medical oncologists, radiation oncologists, radiologists and physician assistants.

SCCA's medical staff currently consists of 1,195 practitioners, including 186 Active Members, 139 Adjunct Members, 802 Associate Members, four Consulting Members, three Honorary Members, 57 Provisional Members and four Research Staff Members. The following table lists SCCA medical staff members by specialty as of June 2006:

Medical Specialty	Members of the Active Medical Staff	Members of Adjunct, Associate, Consulting, Honorary, Research and Provisional Medical Staff	Total
Anesthesiology	1	68	69
Cardiology	-	14	14
Family Medicine	1	29	30

Medical Specialty	Members of the Active Medical Staff	Members of Adjunct, Associate, Consulting, Honorary, Research and Provisional Medical Staff	Total
Hospital Dentistry	3	32	35
Laboratory Medicine	5	22	27
Gastroenterology	-	6	6
Infectious Disease	2	8	10
Oncology	62	39	101
Internal Medicine	-	4	4
Medicine	46	202	248
Nephrology	-	5	5
Neurology	1	18	19
Neurosurgery	-	13	13
Ob/Gyn	8	38	46
Ophthalmology	-	13	13
Orthopedic Surgery	4	2	6
Orthopedics	-	5	5
Otolaryngology	-	48	48
Pathology	5	35	40
Pediatrics	11	60	71
Psychiatry	3	95	98
Psychology	-	2	2
Rad Onc	9	9	18
Radiology	18	121	139
Rehab Med	-	51	51
Surgery	6	55	61
Urology	-	14	14
Other	1	1	2

FACILITIES AND SERVICES

Inpatient Facility

SCCA operates a 20-bed inpatient unit (the "Inpatient Facility") located within UWMC. The Inpatient Facility is used primarily to provide bone marrow and stem cell transplantation and follow-up services. Although the Inpatient Facility is licensed to SCCA under a separate and independent license, under the terms of an inpatient services agreement among SCCA, UW and FHCRC, UW provides SCCA with the facilities, staff and support services required to enable SCCA to operate the Inpatient Facility in compliance with all applicable licensing, accreditation and certification requirements. SCCA pays UW for these services pursuant to an annual budget jointly established by SCCA and UW that is designed to compensate UW for the direct and indirect costs of the services provided.

The delivery of services in SCCA's inpatient unit is clinically integrated with UW's 66-bed hematology/oncology inpatient unit. SCCA provides medical oversight and direction of care for both its inpatient unit and UW's hematology/oncology unit. Patients are assigned to either the SCCA unit or the UWMC unit solely on patient care requirements and staff and facility availability considerations.

Outpatient Facility

SCCA's outpatient services are provided in a multidisciplinary ambulatory hospital clinic (the "Outpatient Clinic") constructed by SCCA on the campus of FHCRC, which is located on the north side of Seattle's business district in the rapidly growing South Lake Union area. The Outpatient Clinic is located on land leased by SCCA from FHCRC under the terms of 99-year lease that commenced in 2001. The Outpatient Clinic, which was completed and began operating in January 2001, consisted of a seven-story, approximately 154,000 square foot building. The building was expanded to 210,000 square feet in 2006. The Outpatient Clinic operates under SCCA's hospital license.

Services provided at the Outpatient Clinic include selected adult ambulatory cancer care services and pediatric bone marrow and stem cell transplant ambulatory services.

To secure the obligations, agreements and covenants to be performed by the Obligated Group under the Master Indenture, SCCA has granted to the Master Trustee, by way of the Deed of Trust, a lien against the Deed of Trust Property, which includes the Outpatient Clinic and the equipment located therein.

Services

SCCA offers a variety of treatment options for malignant and non-malignant oncology diseases. Many of the treatment options have been developed from clinical research conducted by FHCRC, UW and/or Children's. SCCA offers diagnostic and treatment services to adult patients with aplastic anemia, autoimmune diseases, bladder cancer, blood disorders, bone marrow and stem cell transplants, brain and spinal cord cancers, breast cancer, cervical cancer, colon cancer, endometrial cancer, gastrointestinal cancer, gynecologic cancers, head and neck cancers, Hodgkin's lymphoma, kidney cancer, leukemia, liver cancer, lung cancer, melanoma, Merkel cell carcinoma, mesothelioma, multiple myeloma, myelodysplastic syndrome (MDS), non-Hodgkin's lymphoma, oral cancer, ovarian cancer, pancreatic cancer, parathyroid cancer, prostate cancer, salivary gland cancer, sarcoma, skin cancer, stomach cancer, testicular cancer, thyroid cancer and vulvar cancer. SCCA offers diagnostic and treatment services to children with acute lymphocytic leukemia, acute myelogenous leukemia, aplastic anemia, bone cancer and soft tissue sarcoma, bone marrow and stem cell transplant, brain tumors, chronic myeloid leukemia, germ cell tumors, hemophilia, hereditary spherocytosis, Hodgkin's lymphoma, idiopathic thrombocytopenic purpura, juvenile myelomonocytic leukemia, juvenile rheumatoid arthritis, kidney tumors, Langerhans'cell histiocytosis, leukemia, liver tumors, neuroblastoma, neutropenia, non-Hodgkin's lymphoma, sickle cell disease, thalassemia, thrombosis, and von Willebrand disease. SCCA's treatment services are divided into transplant and non-transplant cancer services. SCCA patients often receive services from SCCA, UWMC and Children's. The majority of SCCA transplant and a significant percentage of its non-transplant patients participate in clinical research trials.

Clinical services at SCCA are provided by specialized physician teams, all of whom are members of SCCA's medical staff. Each team may include surgeons, medical oncologists, radiation oncologists, pathologists and other health professionals with expertise in a particular disease area. These specialized teams conduct regular multidisciplinary clinics at SCCA to provide consultations, recommendations and treatment options for cancer patients. The multidisciplinary clinics regularly conducted at SCCA include medical oncology, hematology, breast cancer, lymphoma, leukemia, melanoma, sarcoma, and gynecologic oncology.

Transplant Services

SCCA provides a variety of adult and pediatric bone marrow and stem cell transplantation services. Bone marrow transplantation was developed by FHCRC researchers and is usually provided in conjunction

with high-dose chemotherapy to treat hematological malignancies. SCCA provides both autologous and allogeneic transplant services. Autologous transplants involve infusion of cells previously harvested from the patient. Allogeneic transplants involve the infusion of cells harvested from a related donor or unrelated donor. SCCA also provides long-term follow-up services for a substantial number of transplant survivors.

Chemotherapy and Hormone Therapy Services

SCCA provides cancer patients with chemotherapy, and other nonradiation and nonsurgical treatments, including hormone therapy. Chemotherapy uses powerful drugs to treat cancer by killing the rapidly dividing malignant cells. Hormone therapy uses drugs to slow the growth of endometrial cancer and prostate cancer. SCCA provides the drugs and staff used to infuse, inject or otherwise administer chemotherapy and hormone therapy treatments.

Radiation Therapy

Radiation therapy uses high-energy rays to kill or damage cancer cells by keeping them from dividing and growing. Radiation therapy is used in more than half of cancer cases. It is the primary treatment for head and neck cancers, certain types of lymphoma such as non-Hodgkin's disease and certain types of melanoma. It is also used to treat cancers of the lung, breast, prostate, bladder, brain, thyroid, cervix and others. Radiation therapy is often used in combination with surgery, chemotherapy or immunotherapy. For most patients, radiation therapy is given five days a week for six to seven weeks.

Diagnostic Radiology

SCCA provides conventional radiography, interventional radiologic/fluoroscopic procedures, computed tomography, magnetic resonance imaging, ultrasonography, nuclear medicine, mammographic procedures, including ultrasonographic and stereotactic breast biopsies and mobile mammography, dual energy x-ray absorptiometry, full-field digital mammography, and computer aided detection.

Surgical Procedures Not Requiring General Anesthesia

SCCA performs surgical procedures not requiring general anesthesia, including endoscopies, Hickman catheter placement and apheresis.

Clinical Laboratory and Anatomical Pathology

SCCA provides specialized oncology and research based clinical laboratory services, including clinical immunogenetics, cytogenetics, cellular therapy and pharmacokinetics. SCCA also provides oncology and research based anatomical pathology services. SCCA clinical laboratories provide services to SCCA patients and serve as a reference laboratory for other medical facilities.

Cancer Prevention Clinic

SCCA provides a team of doctors, trained and certified in cancer prevention, that work with other specialists, including nutritionists and physical therapists, to develop individualized action plans to improve the chances of NOT getting cancer. The services include a personalized, comprehensive cancer risk evaluation, screening, assessment and reduction program.

Survivorship Program

SCCA along with FHCRC's Survivorship Program provides clinical care, patient education, and research opportunities to patients who have survived cancer and are not in active cancer treatment or are in long-term therapy to prevent recurrence. The program is supported by a grant from the Lance Armstrong Foundation.

SCCA House

In July 2005, SCCA purchased property near the Outpatient Clinic to serve as a site for the construction of a new patient housing facility (the "Patient Housing Facility"). When completed, the Patient Housing Facility will provide short-term housing to patients of SCCA and their family members while the patients undergo treatment at SCCA, UW or Children's. The Patient Housing Facility's design is similar to an extended stay hotel, with common areas for patient interaction, relaxation and learning. The Patient Housing Facility is located eight blocks from the Outpatient Clinic and will include 80 residential units, 40 parking spaces and 3,000 square feet of retail space. Construction of the Patient Housing Facility began in January 2008 and is expected to be completed in July 2009. The estimated cost of the Patient Housing Facility is approximately $23 million.

In February 2008, SCCA contributed the land for the Patient Housing Facility to SCCA House in return for its membership interest in SCCA House. SCCA also agreed to make a loan to SCCA House in the amount of up to $4.5 million to provide a portion of the funds with which to pay or reimburse SCCA House for the costs of acquiring, constructing, furnishing and equipping the Patient Housing Facility and to provide initial working capital for the Patient Housing Facility. As of September 30, 2008, the outstanding balance of the SCCA loan to SCCA House was $4,095,000. The remaining portion of the costs will be paid from the proceeds of the Authority's Weekly Rate Demand Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance House), which were issued in the aggregate principal amount of $21,410,000 (the "SCCA House Bonds") in February 2008. The proceeds of the SCCA House Bonds were lent to SCCA House. KeyBank National Association (the "Bank") agreed to issue its Irrevocable Direct Draw Letter of Credit (the "Letter of Credit") to enhance the marketability of the Bonds. SCCA has agreed to guarantee the performance and satisfaction of all of the obligations, duties, covenants and agreements of SCCA House with respect to the construction of the Project. SCCA has also agreed to guarantee: (i) the full and prompt payment of all indebtedness at any time owing by SCCA House under the credit documents between the Bank and SCCA House in excess of $16,900,000 (the "Guaranty Threshold"); (ii) without regard to the Guaranty Threshold, the full and prompt payment and performance of all obligations of SCCA House under an environmental indemnity relating to the SCCA House; and (iii) without regard to the Guaranty Threshold, the full and prompt payment of all amounts payable by SCCA House under any interest rate hedging program entered into between the Bank and SCCA House with respect to the SCCA House Bonds. No such program has been entered into by SCCA House. SCCA House granted, by way of a deed of trust, assignment of rents, security agreement and fixture filing, a lien against the Patient Housing Facility and related collateral as security for the SCCA House Bonds.

SERVICE AREA, COMPETITION AND DEMOGRAPHIC INFORMATION

Service Area

Because of the highly specialized services offered by SCCA, SCCA draws patients from a wide geographic area, not only throughout the state of Washington and the United States, but also from other countries. With respect to SCCA's revenue from medical oncology services in fiscal year 2008, 47.6% was generated from patients who resided in King County, 42.1% from patients who resided in the state of Washington, and 10.3% from patients who resided outside the state of Washington. With respect to

SCCA's revenue in fiscal year 2008 from adult bone marrow and stem cell transplant services, 22.4% was generated from patients residing in King County, 35.8% from patients residing in the state of Washington, and 41.8% from patients residing outside the state of Washington. With respect to SCCA's revenue in fiscal year 2008 from pediatric bone marrow and stem cell transplant services, 17.2% was generated from patients residing in King County, 53.7% from patients residing in the state of Washington, and 29.1% from patients residing outside the state of Washington.

Major Competitors

SCCA plays a unique role in the local and national market, given its highly specialized focus on cancer treatment and research. The integrated program offered by SCCA and its Members is the leading provider of bone marrow and stem cell transplant services in the country and it competes for this service line on a national basis with other national cancer centers. The Consortium, of which SCCA is a part, is the only NCI designated comprehensive cancer research center in the state of Washington, with the nearest NCI designated comprehensive cancer center located in San Francisco. National competitors for advanced research based oncology treatment include M.D. Anderson (Houston, Texas), Dana Farber Cancer Institute (Boston, Massachusetts), University of California San Francisco Comprehensive Cancer Center and Research Institute (San Francisco, California), and City of Hope (Duarte, California).

SCCA's primary competitors for oncology services, with the exception of bone marrow and stem cell transplants, are the full-service tertiary providers in King County, Washington, including Swedish Medical Center and Virginia Mason Medical Center. With the exception of bone marrow and stem cell transplant services, the majority of the oncology services provided by SCCA are provided on an outpatient basis. The data collected by the Washington State Department of Health regarding hospital services is currently limited to inpatient services.

The following table reports the number of bone marrow and stem cell transplant discharges for SCCA, UWMC, Children's and other hospitals in Washington State Hospitals in calendar years 2004, 2005, 2006 and 2007.

DRG 481 (Bone Marrow and Stem Cell Transplants) Discharges by Washington State Hospitals*

	2004	2005	2006	2007*
SCCA	111	125	116	116
UWMC	164	134	156	140
Children's Hospital	39	45	45	48
Swedish Medical Center, Seattle	4	10	6	16
Virginia Mason Medical Center, Seattle	5	7	3	3
Saint Joseph Medical Center, Tacoma	8	5	7	4
Other	8	6	13	11

Represents only inpatient transplants.
Source: Washington State Department of Health
**2007 represents nine months annualized data.*

Demographic Information

King County is located in the northwest corner of the United States in the Puget Sound region. The region is the thirteenth largest metropolitan area in the country and includes the city of Seattle. King

County's economic base includes aerospace, information technology, biotechnology, clean technology, transportation and tourism. Below is certain demographic information for King County, the State of Washington and the United States.

Population

	2005	2006	2007
King County	1,805,028	1,834,194	1,861,300
State of Washington	6,270,838	6,374,910	6,488,000
United States	295,895,897	298,754,819	301,621,157

Sources: Population Division, U.S. Census Bureau, Pacific Northwest Regional Economic Analysis Project and Washington State Office of Financial Management, Forecasting Division.

Median Household Income

	2005	**2006**	**2007**
King County	$63,205	$65,845	$68,152[(1)]
State of Washington	$54,085	$56,184	$59,119[(1)]
United States	$46,242	$48,451	$50,740

Sources: U.S. Census Bureau, American Community Survey 2005-2007 and Washington State Office of Financial Management, Forecasting Division.

[(1)] Preliminary estimate.

Average Unemployment Rate

	2005	**2006**	**2007**	**September 2008[(1)]**
King County	4.6%	4.1%	3.7%	4.6%
State of Washington	5.5%	4.9%	4.5%	5.8%
United States	5.1%	4.6%	4.6%	6.1%

Sources: State of Washington Employment Security Department, Labor Market and Economic Analysis Branch and U.S. Bureau of Labor Statistics.

[(1)] Actual Unemployment Rate.

UTILIZATION DATA

The following table provides certain information concerning the combined utilization of SCCA for the fiscal years ended June 30, 2005, 2006, 2007 and 2008.

	For the Fiscal Year Ended June 30,				Three Months Ended September 30,	
	2005	**2006**	**2007**	**2008**	**2007**	**2008**
Bone Marrow/ Stem Cell Transplants*	442	451	426	443	115	129
Inpatient Discharges	435	448	428	490	140	119
Inpatient Days	5,530	5,556	4,839	5,567	1,326	1,367
Average Length of Stay	12.7	12.4	11.3	9.8	14.5	14.9
Outpatient Visits	38,774	44,084	43,230	49,928	11,910	13,774
Treatments and Procedures	49,748	55,378	62,238	68,665	17,252	17,803
Radiology Services	26,394	29,059	31,321	38,317	8,808	9,927
Radiation Treatments	5,974	6,696	8,738	9,288	1,908	2,770

**Includes inpatient and outpatient bone marrow and stem cell transplants.*
Source: SCCA

PROJECT

The proceeds of the Series 2008 Bonds will be used by SCCA to pay or reimburse itself for a portion of the costs of: (1) refunding the Authority's Weekly Rate Demand Revenue Bonds, Series 2001 (Seattle Cancer Care Alliance) the proceeds of which were used to (i) provide part of the funds necessary to pay or reimburse SCCA for the costs of constructing and equipping the Outpatient Clinic; (ii) pay certain related letter of credit fees, and (iii) pay certain costs incurred in the issuance and sale of such bonds; (2) refund the Authority's Weekly Rate Demand Revenue Bonds, Series 2005 (Seattle Cancer Care Alliance) the proceeds of which were used to (i) pay or reimburse SCCA for costs of expanding, remodeling, furnishing and equipping the Outpatient Clinic; (ii) pay certain related letter of credit fees, and (iii) pay certain costs incurred in the issuance and sale of such bonds; (3) finance or reimburse additional costs of constructing, remodeling, renovating and equipping of the Outpatient Clinic and certain costs related to equipping support facilities located in other buildings; (4) pay capitalized interest on the Bonds; (5) fund a reserve account for the Bonds; and (6) pay certain costs incurred in the issuance and sale of the Bonds (collectively, the "Project").

HISTORICAL FINANCIAL INFORMATION

Summary Financials

The following summary presents selected financial information (dollars in thousands) of SCCA for the fiscal years ended June 30, 2006, 2007 and 2008, which was extracted from the audited consolidated financial statements of SCCA. The financial information provided below is limited to SCCA and does not include its affiliate, SCCA House. The information for fiscal years ended June 30, 2007 and 2008 should be read in conjunction with the audited consolidated financial statements included in Appendix B, including the footnotes. Information for the three-month periods ending September 30, 2007 and 2008 is derived from SCCA's internal data and reflect, in the opinion of management, all adjustments (including normal recurring adjustments) necessary to present fairly the results for such periods. The results for the three-month period ending September 30, 2008, are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2009.

Summary Revenues and Expenses

	Fiscal Year Ended June 30, (audited)			Three Months Ended September 30, (unaudited)	
	2006	**2007**	**2008**	**2007**	**2008**
Operating Revenues:					
Net Patient Service Revenue	$165,162	$177,322	$199,054	46,358	56,228
Other Operating Revenue	13,937	15,317	16,400	3,798	4,292
Net Assets Released From Restriction for Operations	0	121	684	13	477
Total Operating Revenues	179,099	192,760	216,138	50,169	60,997
Operating Expenses:					
Salaries, Wages, and Benefits	42,711	48,481	56,623	12,936	14,957
Purchased Services	59,602	67,647	79,112	18,039	22,025
Supplies	37,246	40,429	44,992	11,392	12,525
Depreciation and Amortization	7,002	7,303	9,194	2,142	2,570
Interest	2,239	1,581	1,566	540	423
Bad Debt	604	1,165	1,295	507	675
Other	12,397	14,314	15,194	3,295	4,571
Total Operating Expenses	161,801	180,920	207,976	48,851	57,746
Net Income From Operations	17,298	11,840	8,162	1,318	3,251
Other Income:					
Investment Income and Other	4,107	4,907	4,154	1,243	377
Excess of Revenues Over Expenses	21,405	16,747	12,316	2,561	3,628
Change in Net Unrealized Fair Value of Hedged Transactions	268	(154)	(74)	(45)	0
Change in Net Unrealized Gains on Investments	226	444	287	683	(797)
Property Contributed to Affiliate	0	0	(2,218)	0	0
Investment in Affiliate	0	0	2,218	0	0
Change in Unrestricted Net Assets	21,899	17,037	12,529	3,199	2,831
Unrestricted Net Assets, Beginning of Year or Period	117,072	138,971	156,008	156,008	168,537
Unrestricted Net Assets, End of Year or Period	138,971	156,008	168,537	159,207	171,368

Summary Balance Sheet

	Fiscal Year Ended June 30,			Three Months Ended September 30	
	2006	**2007**	**2008**	**2007**	**2008**
Assets					
Current Assets:					
Cash and Cash Equivalents	$17,902	$8,972	$14,765	$15,122	$13,433
Short-term Investments	55,087	38,021	40,114	37,219	40,863
Patient Accounts Receivable, Net	33,794	35,892	35,164	35,774	37,652
Due From Related Parties	2,263	2,603	1,901	2,689	1,884
Other Receivables	1,615	2,283	2,381	2,316	1,931
Current Portion of Assets Whose Use is Limited	3,299	1,144	246	470	506
Supplies Inventory	1,350	1,513	2,335	1,516	2,355
Prepaid Expenses	1,753	1,911	2,025	1,477	2,109
Total Current Assets	117,063	92,339	98,931	96,583	100,733
Assets Whose Use is Limited, Net	10,865	1,302	2,444	1,313	2,033
Long-term Investments	6,948	44,039	37,576	41,334	44,792
Property, Plant & Equipment, Net	68,985	80,471	91,298	82,263	91,478
Deferred Financing Costs, Net	629	552	619	541	676
Intangible Assets, Net	20,975	19,734	18,493	19,424	18,183
Receivable from Affiliate	0	0	3,984		
Investment in Affiliate	0	0	2,211		
Total Assets	$225,465	$238,437	$255,556	$241,458	$257,895
Liabilities and Net Assets					
Current Liabilities:					
Current Portion of Long-term Debt	$2,029	$1,327	$980	1,030	980
Accounts Payable and Accrued Expenses	19,035	15,935	16,861	12,263	14,674
Due to Related Parties	14,789	15,118	17,311	18,276	18,633
Third-party Payor Settlements Payable	3,752	3,643	5,463	4,312	6,192
Deferred credit on cash flow hedges	0	0	0	(28)	0
Accrued Interest Payable	126	97	52	112	132
Total Current Liabilities	39,731	36,120	40,667	35,965	40,611
Long-term Debt, Net of Current Portion	44,813	43,494	42,521	43,496	42,524
Other Long-term Liabilities	1,524	1,513	1,401	1,493	1,359
Total Liabilities	86,068	81,127	84,589	80,954	84,494
Net Assets:					
Unrestricted	138,971	156,008	168,537	159,205	171,368
Temporarily Restricted	426	1,302	2,430	1,299	2,033
Total Net Assets	139,397	157,310	170,967	160,504	173,401
Total Liabilities and Net Assets	$225,465	$238,437	$255,556	$241,458	$257,895

Historical Liquidity Schedule – Days Cash on Hand

The following table (dollars in thousands) sets forth, as of June 30, 2006, 2007 and 2008, SCCA's calculation of days cash on hand. This information was extracted from the audited consolidated financial statements of SCCA. The information for 2008 and 2007 should be read in conjunction with the audited consolidated financial statements included in Appendix B, including the footnotes.

	2006	2007	2008
Unrestricted Cash	17,902	8,972	14,765
Unrestricted Investments	62,035	82,060	77,690
Total Unrestricted Cash and Investments	79,937	91,032	92,455
Total Operating Expenses	161,801	180,920	207,976
Less: Depreciation and Amortization	7,002	7,303	9,194
Adjusted Total Operating Expenses	154,799	173,617	198,782
Average Daily Adjusted Total Operating Expenses	424	476	545
Days Cash on Hand	188.5	191.2	169.6

Historical and Pro Forma Debt Service Coverage

The following table (dollars in thousand) sets forth, for the fiscal years ended June 30, 2006, 2007 and 2008, the combined revenue of SCCA available to pay debt service and the extent to which such available revenues for debt service provided coverage for historical maximum annual debt service. The table also indicates the extent to which such available revenues for debt service would provide coverage for pro forma maximum annual debt service assuming the issuance of the Series 2008 Bonds and the refunding of the Prior Bonds. The table excludes SCCA's contingent liability under its guarantee of certain obligations of SCCA House. For additional information regarding the SCCA House guarantees, see "FACILITIES AND SERVICES-SCCA HOUSE" above.

	2006	2007	2008
Excess of Revenues over Expenses	21,405	16,747	12,316
Add: Depreciation and Amortization	7,002	7,303	9,194
Add: Interest Expense	2,239	1,581	1,566
Available Revenues for Debt Service	30,646	25,631	23,076
Maximum Annual Debt Service Requirements for Qualifying Funded Indebtedness – Year Ending March, 2028 *	3,187	3,187	3,187
Historical Maximum Debt Service Coverage Ratio *	9.62	8.04	7.24
Maximum Pro Forma Annual Debt Service on the Series 2008 Bonds	7,392	7,392	7,392
Historical Pro Forma Coverage of Maximum Pro Forma Annual Debt Service on the Series 2008 Bonds	4.14	3.46	3.12

* *For purposes of calculating debt service on the Series 2001 and Series 2005 Bonds, which bear interest at variable rates, annual interest costs were based on an assumed average interest rate of 4.30%, which is an average of the actual weekly effective interest rates for the twelve-month period ending June 30, 2008.*

Historical and Pro Forma Capitalization

The following table (dollars in thousands) sets forth, for the fiscal years ended June 30, 2006, 2007 and 2008, and pro forma for the fiscal year ended June 30, 2008, SCCA's calculation of debt-to-capitalization.

Pro forma as of June 30, 2008 reflects the issuance of the Series 2008 Bonds as if such issuance had occurred on June 30, 2008. The table excludes SCCA's contingent liability under its guarantee of certain obligations of SCCA House. For additional information regarding the SCCA House guarantees, see "FACILITIES AND SERVICES-SCCA HOUSE" above.

	2006	2007	2008	Sept. 30, 2008	Pro forma Sept. 30, 2008
Total Long-Term Indebtedness	46,842	44,821	43,501	43,504	90,000
Less Current Portion	(2,029)	(1,327)	(980)	(980)	(0)
Net Long-Term Indebtedness	44,813	43,494	42,521	42,524	90,000
Unrestricted Net Assets	138,971	156,008	168,537	171,368	168,537
Total Capitalization	183,784	199,502	211,058	213,892	258,537
Net Long-Term Debt to Capitalization Ratio	24.4%	21.8%	20.1%	19.9%	34.8%

Sources of Revenue

The following table sets forth the sources of combined gross patient service revenues of SCCA for the fiscal years ended June 30, 2006, 2007 and 2008.

	Fiscal Year Ended June 30,			Three Months Ended September 30,	
Payor Type	**2006**	**2007**	**2008**	**2007**	**2008**
Commercial	64%	61%	60%	61%	60%
Medicare	23%	23%	25%	26%	23%
Medicaid	9%	11%	11%	10%	12%
Other Governmental	3%	4%	3%	3%	4%
Other	1%	1%	1%	0%	1%
Total Sources	**100%**	**100%**	**100%**	**100%**	**100%**

Medicare

As a federally-designated cancer hospital, SCCA is exempt from the Medicare prospective payment system for inpatient services and is reimbursed under the reasonable cost system (subject to TEFRA cost limits). In addition, although SCCA is paid under the Medicare outpatient prospective payment system ("OPPS") for outpatient services, SCCA receives additional hold harmless payments if it suffers losses under OPPS. Subject to certain limitations, if SCCA would have received higher payments under pre-OPPS payment rules than it actually receives under OPPS, SCCA receives additional payments from Medicare to make up the difference. See also "Bondowners' Risks" in the forepart of this Official Statement. See Note 9 to the audited consolidated financial statements attached as Appendix B for additional information regarding related party transactions between SCCA and its Members.

Medicaid

SCCA is paid for outpatient services provided to Medicaid patients under a Ratio of Costs to Charges based system. The inpatient activity is paid under modified DRGs applicable to providers located within certain urban areas in Washington State, including Seattle.

Other Payors

The predominant payment methodologies used by other payors are percentage of billed charges, per diem or case rates. For bone marrow and stem cell transplant services, including those covered by contracts with transplant networks, SCCA is typically paid a case rate payment for specified transplant services performed during a defined case rate period. Pre-transplant and post-transplant services are exempt from the case rate and are paid on either a fee-for-service or per diem basis. The case rate payments are generally subject to a negotiated stop-loss percentage of charges limit. Case rates are negotiated directly with payors or with various transplant networks that contract on behalf of employee benefit plans and other third party payors. Patients covered by network contracts are often located in other states and send their beneficiaries to SCCA for cancer treatment. SCCA pays UWMC, Children's Hospital, UW Physicians and/or Children's Physicians for the portion of the case rate receipts attributable to their services. See also "Bondowners' Risks" in the forepart of this Official Statement.

Management Discussion and Analysis

The following is a discussion of the operations of SCCA for the periods indicated. "Excess margin" means the excess of total revenues, gains and other support revenues over total expenses divided by total revenues, gains and other support. "Operating margin" means operating revenues minus expenses divided by total operating revenues. Management of SCCA believes that excess margin is a key financial measure for nonprofit organizations as the best indicator of an organization's financial performance. Management of SCCA believes that operating margin is a more narrowly focused indicator that measures operational performance only.

Three-Month Period Ended September 30, 2008 Compared to the Three-Month Period Ended September 30, 2007. In the three-month period ended September 30, 2008 SCCA achieved an excess of revenues over expenses of $3.6 million, which resulted in an excess margin of 5.9% versus 5.1% in the first quarter of the preceding fiscal year. Operating margin for the three-month period ended September 30, 2008 was 5.3% compared to 2.6% for the first quarter of the preceding fiscal year.

Revenues. Total operating revenues were approximately $61 million during the three-month period ended September 30, 2008, an increase of 21.6% over the first quarter of the preceding fiscal year. Management attributes this improvement primarily to a combination of increased volumes, increased rates and improved third-party payor contracts. In addition, SCCA recognized a positive $309,000 adjustment to its reserves for Medicare cost reports related to prior period Medicare cost reports.

Expenses. Total operating expenses were approximately $57.7 million during the three-month period ended September 30, 2008, an increase of 18.2%, compared to the first quarter of the preceding fiscal year. Salary, wages and benefits increased 15.6% during the three-month period ended September 30, 2008, compared to the first quarter of the preceding fiscal year, as staff, measured on a full-time-equivalent ("FTE") basis, increased 8.34% and average salary and benefit costs per FTE increased 6.8%. FTEs increased during the three-month period ended September 30, 2008, compared to the first quarter of the preceding fiscal year, as staff was added to support higher volumes and certain support services, previously purchased, were brought in-house. Purchased services increased by 22.1%

because SCCA was required to purchase additional services (such as inpatient support services from UWMC, reference labs, donor procurements for transplant patients and physician services) in order to support the higher volume of services. In addition, SCCA incurred $563,000 during the three-month period ended September 30, 2008 related to its due diligence efforts to plan and finance the Proton Facility. Supply cost increased 9.9% in the first quarter of fiscal year 2009, compared to the first quarter of the preceding fiscal year, primarily due to increased purchases of pharmaceutical drugs as a result of volume increases. Depreciation and amortization expense increased 20.0% during the three-month period ended September 30, 2008, compared to the first quarter of the preceding fiscal year, as new equipment and additional outpatient clinic space was put into service.

Investments. As of September 30, 2008, SCCA's unrestricted and total net assets had increased $2.8 million since June 30, 2008. This increase is attributable to $3.6 million in excess of revenues over expenses during the period that was offset, in part, by $797,000 in realized and unrealized losses on investments.

Fiscal Year Ended June 30, 2008 Compared to Fiscal Year Ended June 30, 2007. In fiscal year 2008, SCCA achieved an excess of revenues over expenses of $12.3 million, which resulted in an excess margin of 5.7% versus 8.7% in fiscal year 2007. Operating margin for fiscal year 2008 was 3.8% compared to 6.1% for fiscal year 2007.

Revenues. Total operating revenues were approximately $216 million during fiscal year 2008, an increase of 12.1% over fiscal year 2007. Management attributes this improvement primarily to a combination of increased volumes, increased rates and improved third-party payor contracts. In addition, SCCA recognized a positive $2.1 million adjustment to its reserves for Medicare cost reports resulting from the settlement of prior period Medicare cost reports.

Expenses. Total operating expenses were approximately $208 million during fiscal year 2008, an increase of 15.1% compared to fiscal year 2007. Salary, wages and benefits increased 16.8% as staff, measured on a full-time-equivalent ("FTE") basis, increased 10.4% and average salary and benefit costs per FTE increased 5.8%. FTEs increased in 2008 as staff was added to support higher volumes and certain support services, previously purchased, were brought in-house. Purchased services increased by 16.9% because SCCA was required to purchase additional services (such as inpatient support services from UWMC, reference labs, donor procurements for transplant patients and physician services) in order to support the higher volume of services. In addition, SCCA incurred $2.1 million related to its due diligence efforts to plan and finance a Proton Therapy Center. Supply cost increased 11.3% in fiscal year 2008 compared to 2007 primarily due to increased purchases of pharmaceutical drugs as a result of volume increases. Depreciation and amortization expense increased 25.9% in fiscal year 2008 compared to 2007 as new equipment and additional outpatient clinic space was put into service.

Fiscal Year Ended June 30, 2007 Compared to Fiscal Year Ended June 30, 2006. In fiscal year 2007, SCCA achieved an excess of revenues over expenses of $16.7 million, which resulted in an excess margin of 8.7% as compared to 12.0% during fiscal 2006. Operating margin for fiscal year 2007 was 6.1% compared to 9.7% in fiscal 2006.

Revenues. Total operating revenues were approximately $192.8 million during fiscal year 2007, an increase of 7.6% over fiscal year 2006. Management attributes the increased revenue during fiscal year 2007 primarily to a combination of increased volumes, increased rates and improved third-party payor contracts. In addition, SCCA recognized a positive $1.2 million adjustment to its reserves for Medicare cost reports resulting from the settlement of prior period Medicare cost reports.

Expenses. Total operating expenses were approximately $181 million during fiscal year 2007, an increase of 11.8% compared to fiscal year 2006. Salary, wages and benefits increased 13.5% as FTEs increased 9.1% and average salary and benefit costs per FTE increased 4.1%. FTEs increased as staff was added to support higher volumes. Purchased services increased by 13.5% because SCCA was required to purchase additional services (such as inpatient support services from UWMC, reference labs, donor procurements for transplant patients and physician services) in order to support the higher volume of services. In addition, SCCA incurred an additional $1 million in legal and consultant cost to advance strategic initiatives such as the formation of Seattle Cancer Care Alliance House. Other expenses increased 15.5% due to higher lease, insurance, advertisement, repair and maintenance, and Washington State Business and Occupation tax costs. SCCA's lower interest expense was associated with lower outstanding debt.

Subsequent Events. The following events or changes in financial matters have occurred during the period subsequent to June 30, 2008.

Interest Expense on Variable Rate Debt. SCCA had $43,501,000 of variable rate demand bonds issued for its benefit outstanding as of June 30, 2008, which debt, together with $21,347,000 of variable rate demand bonds issued for the benefit of SCCA House, is included in long-term debt in the accompanying consolidated balance sheets. The interest rate on these bonds resets weekly. Variable interest rates have increased in 2008, and until there is some relief from the illiquid market conditions in debt markets, SCCA expects that both it and SCCA House will incur higher interest rate expense. SCCA and SCCA House experienced a range of interest rates in fiscal year 2008 from 1.3% to 4.1%. Subsequent to year end the range has been 1.4% to 8.0%. Under SCCA's applicable bond indentures, the maximum possible interest rate is 15%. SCCA anticipates refunding the variable rate bonds issued for its benefit with the proceeds of the Series 2008 Bonds.

Unamortized Deferred Financing Costs. As of December 31, 2008, SCCA had approximately $442,000 of unamortized deferred financing costs relating to the Series 2001 and Series 2005 Bonds, which will be written off in connection with the refunding of those bonds in Fiscal Year 2009. The write off will reduce SCCA's revenues in excess of expenses in Fiscal Year 2009 by an amount equal to such costs.

Critical Accounting Polices

The preparation of financial statements in conformity with accounting principles generally accepted in the Unites States of America requires management of SCCA to make estimates and assumptions that affect the amounts reported in its consolidated financial statements and the accompanying notes. Actual results could differ from those estimates. SCCA considers its critical accounting policies to be those that require the more significant judgments and estimates in the preparation of its financial statements, including the following:

Principles of Consolidation. The consolidated financial statements include the operations of SCCA and its affiliate, SCCA House. SCCA Proton Therapy Center was incorporated after the end of the period covered by the consolidated financial statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Assets Whose Use is Limited. The funds held by trustee are held under the terms of the applicable bond trust indenture relating to SCCA's outstanding debt. Amounts required to meet current liabilities have been reclassified as current assets in the consolidated balance sheets at June 30, 2008 and 2007. These funds have been invested in various marketable securities.

Investments. Investments consist principally of U.S. government obligations, corporate bonds, collateralized mortgage obligations, and mutual funds that are stated at fair market value. Investment income or loss (including realized gains and losses on investments, and interest) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on marketable securities are excluded from the excess of revenues over expenses unless the marketable securities are trading securities or management has determined that an other-than-temporary impairment has taken place. A decline in the market value of any investment below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, SCCA considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end, and forecasted performance of the investee. For certain funds that are managed by external managers with the ability to trade securities at their discretion, since management does not meet the ability and intent criteria, it records the other-than-temporary charge currently related to investments. Funds managed by external managers totaled $15,240,000 and $15,000,000, and represented 18% and 19% of SCCA's investments as of June 30, 2008 and 2007, respectively. SCCA recorded an other-than-temporary impairment charge (reported as realized impairment charge) of $1,004,000 for fiscal 2008, and $359,000 for fiscal 2007.

Net Patient Service Revenues. SCCA derives a significant portion of its revenues from the Medicare and Medicaid programs and from commercial insurance plans. Payments for services rendered to patients covered by these programs are generally less than billed charges. Adjustments are made to revenue to reduce the charges to these patients to estimated receipts based upon the programs' principles of payment/reimbursement (either prospectively determined or retrospectively determined costs). Final settlement under the Medicare program is subject to administrative review and audit, and provision is currently made for adjustments that may result. Payments to be made under commercial health plans are based primarily on the payment terms of contractual arrangements such as discounted fee for service rates or case rate payments. Management of SCCA closely monitors historical collection rates, law changes and changes in contract terms to be certain that net patient service revenues are recorded using the most accurate information available. However, due to the complexities involved in these estimations, actual payments could be different from the amounts estimated and recorded.

Investment Income and Other. Investment income and other include (1) interest and realized gains and losses on SCCA's cash equivalents, marketable securities and assets whose use is limited, (2) unrestricted donations and (3) impairment charges on securities in accordance with SCCA's other-than-temporary impairment policy.

Excess of Revenues Over Expenses. The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other-than-trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

Charity Care. SCCA provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because SCCA does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Approximately $2,102,000 and $2,292,000 was provided in charity care in fiscal years 2008 and 2007, respectively. The net cost of charity care provided was approximately $1,425,000 in 2008 and $1,561,000 in 2007. The net cost of charity care was calculated using a percentage of cost to charges,

which was 68% in fiscal years 2008 and 2007. The number of charity care patients served was 1,322 in 2008 and 1,074 in fiscal year 2007.

Capital Expenditures, Anticipated Debt and Liquidity

Routine capital expenditures have historically been under $5 million per year. Management expects to fund routine capital expenditures over the next three years through a combination of approximately $10 million of funds made available through the Series 2008 Bonds (net of amounts used to reimburse prior capital expenditures) and cash flow from operating activities. See "Bondholders' Risks" for a discussion of the risks associated with whether SCCA will be able to generate positive cash flows. SCCA currently has no formal plans to issue significant additional debt on a specified timeline subsequent to the Series 2008 Bonds. However, given the continued growth in SCCA's services, SCCA's management intends to evaluate the need for additional capacity in the future. In addition, SCCA Proton Therapy Center may incur significant debt in the near future to the finance the acquisition and construction of the Proton Facility.

EMPLOYEES

As of June 30, 2008, SCCA employs approximately 744 FTE employees. None of SCCA's employees are currently represented by labor unions. SCCA management characterizes its relationship with its employees as good.

SCCA purchases from FHCRC and UW a material portion of the services necessary to operate and provide patient care services at its inpatient and outpatient facilities. As a result, many of the services provided at SCCA's inpatient and outpatient facilities are provided by employees of either FHCRC or UW. The purchased services include inpatient nursing and ancillary services, pharmacy, laboratory, staff, clinical computing, information technology, medical record, electronic billing system, human resources and employee services. SCCA pays FHCRC and UW for their services pursuant to predetermined methodologies for estimating the cost of providing the service.

RETIREMENT PLANS

SCCA has a defined contribution plan for its salaried employees. Employees are generally eligible after one year of service. SCCA contributes 7% of each eligible employee's compensation up to the Social Security wage base limit and 12% on compensation above the limit. Contributions for the years ended June 30, 2008 and 2007 were $2,496,000 and $1,515,000 respectively.

INVESTMENTS AND INVESTMENT POLICIES

SCCA had approximately $92.5 million of total unrestricted cash and investments at June 30, 2008. These investments are managed according to investment policies adopted by SCCA's Board. Direct governance of the investment policies is provided by the Investment Committee, a subcommittee of the Board Finance and Audit Committee. SCCA's investment policies are implemented by the Chief Financial Officer. Pursuant to this policy, strategic asset allocation models guide the investment of funds. KeyBanc Capital Markets (formerly know as McDonald Investments Inc.), a full-service investment banking, brokerage, and investment advisory firm selected by the Investment Committee on October 8, 2004, assists with the ongoing management, monitoring and selection of the various investments, consisting principally of U.S. Government obligations and corporate bonds that are stated at fair market value. Pugh Investments manages a fixed income fund established in December 2006 and investments consist of money market funds, US Treasury and government agency obligations, corporate notes and bonds and taxable municipal bonds. Kibble and Prentice manages an equities fund established in January

2007. Investments consist of corporate equities listed on the principal U.S. exchanges or traded in the over-the-counter markets including American Depository Receipts ("ADRs"), and exchange traded funds.

SCCA's unrestricted cash and investments are currently divided into three separate asset classes: cash and cash equivalents, short-term investments, and long-term investments. The investment objective of short-term investments emphasizes liquidity for short-term needs. Short-term investments are currently composed of a short-term U.S. Government Agency AAA rated bond ladder. The investment objective of long-term investments emphasizes a higher net rate of return than is typically available from short-term investments. Long-term investments currently are composed of long-term U.S. Government Agencies and/or AA or better corporate bonds. All funds received are initially deposited into short-term investments. Upon a determination by the Board that a certain portion of funds in short-term investments could be invested for a longer period of time, and are not necessary for short-term SCCA needs, such portion is transferred to long-term investments. The table below sets forth SCCA's actual asset allocation including investments for short-term investments and intermediate-term investments as of June 30, 2008.

Asset Class	Percentage at June 30, 2008
Cash and Cash Equivalents	16.0%
Short-term Investments:	
U.S. Government and Agency	29.2
Corporate bonds	14.2
Long-term Investments:	
U.S. Government and Agency	17.0
Corporate bonds	17.0
CMBS	1.8
Mutual Funds	4.8
Total	100.0%

PHILANTHROPY

The Members' Agreement among FHCRC, UW, Children's and SCCA that was entered into when SCCA was established provides that SCCA will not engage in independent fund raising activities, and any unsolicited gifts received by the Alliance will be disbursed in accordance with a plan to be developed and approved by the Members. SCCA received unsolicited gifts in the amount of $500,000 in fiscal year 2006, $1,401,000 in fiscal year 2007 and $2,176,000 in fiscal year 2008.

FUTURE PLANS

Since fiscal year 2005, SCCA has been investigating the development of the Proton Facility. Proton therapy, in comparison to conventional radiation therapy, offers the advantage of more precisely delivering radiation to tumor sites while minimizing damage to healthy surrounding tissue. Due to the high capital costs, adoption of this technology has been limited with only nine facilities currently operating or under construction in the United States.

Over the last several years SCCA has investigated the proton therapy technology, site options, building requirements and financing options and has engaged a consultant to complete a financial feasibility study of the proposed project. Due to the substantial scope of the project, significant costs (up to $10 million) may need to be incurred by SCCA to design the Proton Facility, obtain a master use permit and negotiate a guaranteed maximum price (GMP) contract with a contractor before any financing of the Proton Facility

can proceed. Based on the preliminary planning work completed to date, the cost of the Proton Facility is estimated to be in excess of $200 million.

Currently, SCCA is working on a plan that would locate the proposed proton facility on the campus of Northwest Hospital & Medical Center ("Northwest Hospital"), which is located eight miles from the Outpatient Clinic, as part of a joint venture with Northwest Hospital. Under the proposed joint venture plan, SCCA would contribute up to $25 million of cash to SCCA Proton Therapy Center and Northwest Hospital would contribute the land required for the Proton Facility to SCCA Proton Therapy Center in return for a membership interest in SCCA Proton Therapy Center. The remaining portion of the costs of the proton therapy facility are expected to be financed through the issuance of debt incurred by SCCA Proton Therapy Center and secured by a deed of trust on the Proton Facility. When completed, it is expected that SCCA will lease the Proton Facility from SCCA Proton Therapy Center and operate the facility as an outpatient service of SCCA. SCCA will make lease payments in an amount equal to difference between the cash receipts collected by SCCA for proton therapy services and the expenses incurred by SCCA to provide those services. Accounts receivable attributable to proton therapy services provided by SCCA have been excluded from the gross receivables pledged by SCCA to the payment of the Series 2008 Bonds.

INSURANCE AND LITIGATION

SCCA purchases health care system liability insurance that includes claims made general and professional liability coverage through Lexington Insurance Company in the amount of $1,000,000 primary coverage with a limit of $3,000,000 annual aggregate. Should the "claims made" policies not be renewed or replaced with equivalent insurance, claims related to the occurrences during the terms of the "claims made" policies, but reported subsequent to the termination would be uninsured. In addition, SCCA has purchased $40,000,000 of excess liability coverage. SCCA also purchases policies covering directors and officers, property, automobile and other insurance of a type, and in amounts, which SCCA believes to be customary for institutions of its size and character.

There currently are no claims or lawsuits pending against SCCA that would have a material adverse effect on SCCA's financial position.

LICENSES, ACCREDITATIONS AND APPROVALS

SCCA was accredited by the Joint Commission in November 8, 2007. Accreditation is customarily valid for up to 39 months. SCCA is licensed by the Washington State Department of Health and has a current agreement with the Washington State Department of Social and Health Services to provide Medicaid services. SCCA is also recognized by the U.S. Department of Health and Human Services for participation in Medicare.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

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SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidated Financial Statements

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

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KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Trustees
Seattle Cancer Care Alliance:

We have audited the accompanying consolidated balance sheets of Seattle Cancer Care Alliance and Affiliate (the Company) as of June 30, 2008 and 2007, and the related consolidated statements of operations and changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2008 and 2007, and the results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

October 13, 2008

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidated Balance Sheets

June 30, 2008 and 2007

Assets		2008	2007
Current assets:			
Cash and cash equivalents	$	14,841,000	8,972,000
Short-term investments		40,114,000	38,021,000
Patient accounts receivable, net of allowance for doubtful accounts of $594,000 in 2008 and $512,000 in 2007		35,164,000	35,892,000
Due from related parties		1,901,000	2,603,000
Other receivables		2,381,000	2,283,000
Current portion of assets whose use is limited		1,710,000	1,144,000
Supplies inventory, at cost		2,335,000	1,513,000
Prepaid expenses		2,073,000	1,911,000
Total current assets		100,519,000	92,339,000
Assets whose use is limited:			
Trustee held funds and other		22,720,000	2,446,000
Total assets whose use is limited		22,720,000	2,446,000
Less current portion		(1,710,000)	(1,144,000)
Net assets whose use is limited		21,010,000	1,302,000
Long-term investments		37,576,000	44,039,000
Property, plant, and equipment, net of accumulated depreciation		99,595,000	80,471,000
Deferred financing costs, net of accumulated amortization of $538,000 in 2008 and $458,000 in 2007		1,174,000	552,000
Intangible assets, net of accumulated amortization of $9,205,000 in 2008 and $7,964,000 in 2007		18,493,000	19,734,000
Total assets	$	278,367,000	238,437,000
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	980,000	1,327,000
Accounts payable and accrued expenses		18,298,000	15,935,000
Due to related parties		17,311,000	15,118,000
Third-party payor settlements payable		5,463,000	3,643,000
Accrued interest payable		79,000	97,000
Total current liabilities		42,131,000	36,120,000
Long-term debt, net of current portion		63,868,000	43,494,000
Other long-term liabilities		1,401,000	1,513,000
Total liabilities		107,400,000	81,127,000
Commitments and contingencies			
Net assets:			
Unrestricted		168,537,000	156,008,000
Temporarily restricted		2,430,000	1,302,000
Total net assets		170,967,000	157,310,000
Total liabilities and net assets	$	278,367,000	238,437,000

See accompanying notes to consolidated financial statements.

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

Years ended June 30, 2008 and 2007

	2008	2007
Operating revenues:		
Net patient service revenue	$ 199,054,000	177,322,000
Other operating revenue	16,400,000	15,317,000
Net assets released from restriction for operations	684,000	121,000
Total operating revenues	216,138,000	192,760,000
Operating expenses:		
Salaries, wages, and benefits	56,623,000	48,481,000
Purchased services	79,112,000	67,647,000
Supplies	44,992,000	40,429,000
Depreciation and amortization	9,200,000	7,303,000
Interest	1,567,000	1,581,000
Bad debt	1,295,000	1,165,000
Other	15,194,000	14,314,000
Total operating expenses	207,983,000	180,920,000
Net income from operations	8,155,000	11,840,000
Other income:		
Investment income and other	4,161,000	4,907,000
Excess of revenues over expenses	12,316,000	16,747,000
Change in net unrealized fair value of hedged transactions	(74,000)	(154,000)
Change in net unrealized gains on investments	287,000	444,000
Change in unrestricted net assets	12,529,000	17,037,000
Unrestricted net assets, beginning of year	156,008,000	138,971,000
Unrestricted net assets, end of year	$ 168,537,000	156,008,000

See accompanying notes to consolidated financial statements.

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2008 and 2007

	Unrestricted	Temporarily restricted	Total
Balance, June 30, 2006	$ 138,971,000	426,000	139,397,000
Excess of revenues over expenses	16,747,000	—	16,747,000
Restricted contributions, grants, and other	—	997,000	997,000
Net assets released from restriction for operations	—	(121,000)	(121,000)
Change in net unrealized fair value of hedged transactions	(154,000)	—	(154,000)
Change in net unrealized gains and losses on investments	444,000	—	444,000
Change in net assets	17,037,000	876,000	17,913,000
Balance, June 30, 2007	156,008,000	1,302,000	157,310,000
Excess of revenues over expenses	12,316,000	—	12,316,000
Restricted contributions, grants, and other	—	1,812,000	1,812,000
Net assets released from restriction for operations	—	(684,000)	(684,000)
Change in net unrealized fair value of hedged transactions	(74,000)	—	(74,000)
Change in net unrealized gains on investments	287,000	—	287,000
Change in net assets	12,529,000	1,128,000	13,657,000
Balance, June 30, 2008	$ 168,537,000	2,430,000	170,967,000

See accompanying notes to consolidated financial statements.

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidated Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 13,657,000	17,913,000
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in net unrealized fair value of hedged transactions	74,000	154,000
Change in net unrealized gains on investments	(287,000)	(444,000)
Depreciation and amortization	9,200,000	7,303,000
Allowance for bad debts	1,295,000	1,165,000
Restricted contributions for capital	—	(800,000)
(Increase) decrease in:		
Patient accounts receivable	(567,000)	(3,263,000)
Due from related parties	702,000	(340,000)
Other receivables	(98,000)	(668,000)
Supplies inventory	(822,000)	(163,000)
Prepaid expenses	(162,000)	(158,000)
Deferred financing costs	(86,000)	58,000
Increase (decrease) in:		
Accounts payable and accrued expenses	852,000	(3,254,000)
Due to related parties	2,193,000	329,000
Third-party payor settlements payable	1,820,000	(109,000)
Accrued interest payable	(18,000)	(29,000)
Other long-term liabilities	(112,000)	(11,000)
Net cash provided by operating activities	27,641,000	17,683,000
Cash flows from investing activities:		
Additions to property, plant, and equipment, net	(25,621,000)	(17,529,000)
Purchase of investments	(50,127,000)	(86,531,000)
Proceeds from sale of investments	34,510,000	78,668,000
Net cash used in investing activities	(41,238,000)	(25,392,000)
Cash flows from financing activities:		
Payment of debt issuance cost	(561,000)	—
Proceeds from issuance of long-term debt	21,347,000	—
Principal payments on long-term debt	(1,320,000)	(2,021,000)
Restricted contributions for capital	—	800,000
Net cash provided by (used in) financing activities	19,466,000	(1,221,000)
Net increase (decrease) in cash and cash equivalents	5,869,000	(8,930,000)
Cash and cash equivalents at beginning of year	8,972,000	17,902,000
Cash and cash equivalents at end of year	$ 14,841,000	8,972,000
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,076,000	2,067,000
Supplemental disclosure of noncash activity:		
Purchase of property, plant, and equipment included in accounts payable	$ 1,437,000	—

See accompanying notes to consolidated financial statements.

(1) Organization

Seattle Cancer Care Alliance (SCCA) is a nonprofit corporation organized in 1998 by Seattle Children's Hospital, formerly known as Children's Hospital and Regional Medical Center, the University of Washington Medicine (UW Medicine), and Fred Hutchinson Cancer Research Center (FHCRC) for the purpose of developing and offering a comprehensive program of integrated cancer care services. SCCA operates an ambulatory cancer care service facility and a 20-bed licensed hospital inside the University of Washington Medical Center (UWMC), a member organization of UW Medicine. SCCA operates these facilities and coordinates inpatient services with Seattle Children's Hospital for pediatric patients and with UWMC for adult patients. Members of SCCA share equally in the results of operations. In addition to providing inpatient and outpatient cancer care services, SCCA provides programmatic direction to the adult inpatient cancer services provided by UWMC and the pediatric inpatient and outpatient cancer services provided by Seattle Children's Hospital.

On June 28, 2007, the SCCA incorporated a 100% owned affiliate; Seattle Cancer Care Alliance House (SCCAH). The affiliate is included in the financial statements for 2008 and 2007 and has received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. SCCAH was formed to build and operate an 80-unit medical patient housing facility on land acquired by the SCCA in fiscal 2006 and transferred to SCCAH in fiscal 2008.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements include the operations of SCCA and its affiliate. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Reclassifications

Certain prior year amounts have been reclassified to conform to the fiscal year 2008 presentation.

(d) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at date of purchase.

(e) Supplies Inventory

Inventory, consisting principally of surgical, medical, and pharmaceutical supplies, is carried at the lower of cost (first in, first out method) or market.

(f) Assets Whose Use is Limited

The funds held by trustee are held under the terms of SCCA and SCCAH's Trust Indenture. Amounts required to meet current liabilities have been reclassified as current assets in the consolidated balance sheets at June 30, 2008 and 2007. These funds have been invested in various marketable securities.

(g) Investments

Investments consist principally of U.S. government obligations, corporate bonds, collateralized mortgage obligations, and mutual funds that are stated at fair market value. Investment income or loss (including realized gains and losses on investments, and interest) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on marketable securities are excluded from the excess of revenues over expenses unless the marketable securities are trading securities or management has determined that an other-than-temporary impairment has taken place.

A decline in the market value of any investment below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other-than-temporary, SCCA considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end, and forecasted performance of the investee. For certain funds that are managed by external managers with the ability to trade securities at their discretion, since management does not meet the ability and intent criteria, it records the other-than-temporary charge currently related to investments. Funds managed by external managers totaled $15,240,000 and $15,000,000, and represented 18% and 19% of SCCA's investments as of June 30, 2008 and 2007, respectively. SCCA recorded an other-than-temporary impairment charge (reported as realized impairment charge) of $1,004,000 for fiscal 2008, and $359,000 for fiscal 2007.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, and repairs and maintenance are expensed. The cost and related accumulated depreciation of property, plant, and equipment sold or retired are removed from the accounts and the resulting gain or loss is recognized.

(i) Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

(j) Depreciation

Depreciation is computed using the straight line method, which allocates the cost of depreciable property over the following estimated useful lives:

Land improvements	2 – 25 years
Buildings and fixed equipment	3 – 40 years
Moveable equipment	2 – 15 years

(k) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amount from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive agreements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(l) Investment Income and Other

Investment income and other include (1) interest and realized gains and losses on SCCA's cash equivalents, marketable securities and assets whose use is limited, (2) unrestricted donations, (3) impairment charges on securities in accordance with SCCA's other-than-temporary impairment policy.

(m) Excess of Revenues Over Expenses

The consolidated statement of operations includes excess of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other-than-trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets).

(n) Income Taxes

SCCA has obtained a determination letter from the Internal Revenue Service indicating that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income tax. SCCAH has also obtained a determination letter from the Internal Revenue Service indicating that is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code, except for unrelated business income tax.

(o) Recently Adopted Standards

SCCA and affiliate adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, on July 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and

(Continued)

measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 did not have a significant impact on the consolidated financial statements of SCCA.

(p) New Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurement*s. SFAS 157 defines fair value, establishes a framework for the measurement of fair value, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SCCA is required to adopt SFAS 157 beginning in fiscal year 2009. SFAS 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to the beginning balance of net assets in the year of adoption. In November 2007, the FASB proposed a one-year deferral of the fair value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. Management is evaluating the potential impact of SFAS 157.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS 159 permits entities that elect the fair value provisions of SFAS 157 to choose to measure many financial instruments and certain other items at fair value. It also provides the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently, without having to apply complex hedge accounting provisions. Accordingly, unrealized gains and losses on items for which the fair value option has been elected will be reported in earnings. SCCA is required to adopt SFAS 159 beginning in fiscal year 2009. Management is evaluating the potential impact of SFAS 159, but does not currently expect SFAS 159 to have a material impact on the consolidated financial statements of SCCA.

(3) Investments

Assets whose use is limited are composed of the following as of June 30:

		2008	2007
Trustee-held funds:			
Cash and cash equivalents	$	22,720,000	2,446,000
Less current portion		(1,710,000)	(1,144,000)
	$	21,010,000	1,302,000

(Continued)

Other investments are composed of the following at June 30:

		2008	2007
Short-term investments:			
U.S. government and agency	$	26,996,000	30,550,000
Corporate bonds		13,118,000	7,471,000
	$	40,114,000	38,021,000
Long-term investments:			
U.S. government and agency	$	15,776,000	12,763,000
Corporate bonds		15,748,000	22,835,000
Collateralized mortgage obligations and asset-backed securities		1,642,000	3,103,000
Mutual funds		4,410,000	5,338,000
	$	37,576,000	44,039,000

Investment income, and gains and losses (for assets whose use is limited, cash equivalents, and other investments) are comprised of the following for the years ended June 30:

		2008	2007
Income:			
Interest income:	$	4,427,000	4,786,000
Realized gains on investments, net		141,000	57,000
Realized impairment losses		(1,004,000)	(359,000)
Total realized investment income	$	3,564,000	4,484,000
Other change in unrestricted net assets:			
Net unrealized gains on investments	$	287,000	444,000

(Continued)

(4) Property, Plant, and Equipment

Property, plant, and equipment consist of the following as of June 30:

	2008	2007
Land and improvements	$ 7,148,000	7,098,000
Buildings and fixed equipment	83,895,000	72,127,000
Major movable and minor equipment	43,394,000	34,879,000
Leasehold improvement	1,317,000	1,023,000
Construction in progress	8,669,000	2,577,000
	144,423,000	117,704,000
Less accumulated depreciation	(44,828,000)	(37,233,000)
	$ 99,595,000	80,471,000

Depreciation expense for the fiscal years ended June 30, 2008 and 2007 amounted to approximately $7,934,000 and $6,043,000, respectively. SCCA and SCCAH have capitalized interest of approximately $400,000 and $546,000 as of June 30, 2008 and 2007, respectively.

In fiscal year 2006, SCCA purchased property for $2,218,000 with the intent to construct a medical patient housing facility to provide temporary housing for cancer and other patients and their families undergoing treatment. In fiscal 2008, SCCA transferred the land to SCCAH. The transfer qualified as an equity transaction and is reflected in unrestricted net assets. The financing, construction and operation of the medical patient housing facility will be the responsibility of SCCAH. The property seller has an option (at the seller's discretion) to repurchase the property in the event: (a) the SCCAH does not commence construction of the housing facility within five years of the property closing (July 5, 2010); (b) the SCCAH fails to complete construction of the housing facility within seven years of the property closing (July 5, 2012, subject to extension for force major events); (c) SCCAH, at any time prior to substantial completion of the housing facility, elects to sell the property to a third party other than a party that agrees to complete and operate the housing facility for, at a minimum, the period ending on July 5, 2012; or (d) the SCCAH ceases operating the property for patient housing within the seven year period commencing on completion of the housing facility. If any one of these events occurs, the property seller has the option to repurchase the property for the same gross purchase price paid by the SCCA at closing, increased by 5% simple interest per annum, plus the fair market value on any improvements the SCCAH has constructed on the property. Construction began on January 14, 2008, with project completion expected by September 2009. On February 28, 2008, SCCA entered into a limited guaranty agreement with the property seller. If at anytime SCCAH defaults, SCCA will guarantee payment on behalf of SCCAH within five days of receipt of demand from the property seller.

(5) Intangible Assets

Intangible assets comprise the value assigned to a ground lease and contributed outpatient businesses. The ground lease was contributed by FHCRC. It relates to land upon which the SCCA building was built and has a term of 99 years. The outpatient businesses were contributed by FHCRC and by UWMC with the designation that SCCA be a site of practice for certain oncology-related outpatient activities.

Amortization expense for intangible assets for the fiscal years ended June 30, 2008 and 2007 amounted to $1,241,000 for each year. The unamortized balance of the intangible assets consists of the following as of June 30:

	2008	2007	Amortization period
Ground lease	$ 3,334,000	3,371,000	99 years
Outpatient businesses	15,159,000	16,363,000	20 years
	$ 18,493,000	19,734,000	

The approximate amortization expense for the next five years related to these intangible assets is $1,241,000 for each year.

(6) Long-Term Debt

Long-term debt consists of the following as of June 30:

	2008	2007
Washington Health Care Facility Authority, Weekly Rate Demand Revenue Bonds, Series 2008, at an average variable interest rate of 3.64%, maturing on February 1, 2038, net of unamortized bond discount of $63,000, at increasing principal amounts of $320,000 to $1,350,000	$ 21,347,000	—
Washington Health Care Facility Authority, Weekly Rate Demand Revenue Bonds, Series 2005, at an average variable interest rate of 4.37%, maturing on June 16, 2035, net of unamortized bond discount of $90,000 and $93,000, respectively, at increasing principal amounts of $435,000 to $1,560,000	23,800,000	24,212,000
Washington Health Care Facility Authority, Weekly Rate Demand Revenue Bonds, Series 2001, at an average variable interest rate of 3.28%, maturing on March 1, 2028, net of unamortized bond discount of $89,000 and $93,000, respectively, at increasing principal amounts of $545,000 to $1,610,000	19,701,000	20,212,000
Capital lease obligation at 5.89% expired October 23, 2007	—	397,000
	64,848,000	44,821,000
Less current portion	(980,000)	(1,327,000)
Long-term debt, net	$ 63,868,000	43,494,000

(Continued)

The maturities by year of the long-term debt obligations are as follows:

2009	$ 980,000
2010	1,350,000
2011	1,445,000
2012	1,530,000
2013	1,610,000
Thereafter	57,933,000
	$ 64,848,000

(a) Washington Health Care Facility Authority, Weekly Rate Demand Revenue Bonds, Series 2001, and Series 2005

In fiscal year 2001, SCCA borrowed the proceeds of the Washington Health Care Facility Authority's $22,100,000 Weekly Rate Demand Revenue Bonds, Series 2001 (the 2001 Bonds) to provide a portion of the funds necessary to finance or reimburse SCCA for the costs of constructing and equipping a new outpatient facility, to pay certain letter-of-credit fees, and to pay a portion of the costs of issuing the 2001 Bonds.

In fiscal year 2005, SCCA borrowed the proceeds of the Washington Health Care Facility Authority's $25,000,000 Weekly Rate Demand Revenue Bonds, Series 2005 (the 2005 Bonds and, together with the 2001 Bonds, the Bonds) to provide a portion of the funds necessary to finance or reimburse SCCA for the costs of expanding, remodeling, furnishing, and equipping the outpatient facility, to pay certain letter-of-credit fees, and to pay a portion of the costs of issuing the 2005 Bonds.

In conjunction with the issuance of the Bonds and the loan of the proceeds to SCCA, SCCA arranged for the delivery of an irrevocable direct pay letter-of-credit from KeyBank National Association (KeyBank) to secure the timely payment of principal and interest on the Bonds. The letter of credit extends through November 30, 2009. An ongoing letter-of-credit fee is charged on the outstanding principal amount as well as the required interest coverage for the Bonds. To evidence the repayment obligations of SCCA for the letter-of-credit fee and any draws under the letter of credit, SCCA entered into a reimbursement agreement with KeyBank. There were no draws under the letter of credit during 2008. Under the reimbursement agreement, SCCA is subject to certain covenants including a requirement to maintain a minimum debt service coverage ratio of 1.75 to 1.00.

In addition to the letter of credit, SCCA has pledged as collateral the SCCA building and all furniture, fixtures, supplies, inventory, equipment, and other tangible personal property.

(b) Washington Health Care Facility Authority, Weekly Rate Demand Revenue Bonds, Series 2008

In fiscal year 2008, SCCAH borrowed the proceeds of the Washington Health Care Facility Authority's $21,410,000 Weekly Rate Demand Revenue Bonds, Series 2008 (the 2008 Bonds) to provide a portion of the funds necessary to finance SCCA House for the costs of constructing and equipping a new patient housing facility, to pay certain letter-of-credit fees, and to pay a portion of the costs of issuing the 2008 Bonds.

In conjunction with the issuance of the 2008 Bonds and the loan of the proceeds to SCCAH, SCCAH arranged for the delivery of a letter of credit from KeyBank National Association (KeyBank) to secure the timely payment of principal and interest on the 2008 Bonds. The letter of credit expires on February 28, 2011. An ongoing letter of credit fee is charged quarterly on the outstanding principal amount as well as the required interest coverage for the 2008 Bonds. To evidence the repayment obligations of SCCAH for the letter of credit fee and any draws under the letter of credit, SCCAH entered into a reimbursement agreement with KeyBank. Payment of the Loan and SCCAH's obligations to reimburse the bank for draws against the letter of credit are secured by a deed of trust, assignment of rents, security agreement and fixture filing encumbering the MPH and Property. There were no draws under the letter of credit during 2008. Under the reimbursement agreement, SCCAH is subject to certain covenants including a requirement to maintain a minimum debt service coverage ratio of 1.00 to 1.00 after completion of the project.

SCCA is guaranteeing the performance and satisfaction of all the obligations, duties, covenants and agreements of SCCAH with respect to the construction of the housing facility. SCCA will maintain a minimum debt coverage ratio of 1.75 to 1.0. SCCA will not permit the ratio of its minimum debt ratio to exceed 0.50 to 1.0; SCCA will also maintain minimum investment balance of 75 days cash on hand.

SCCA has also guaranteed the full and prompt payment of all indebtedness at any time owing by SCCAH under the credit documents in excess of $16,900,000.

(c) Seattle Cancer Care Alliance, Unsecured Subordinate Promissory Note

On January 10, 2008 the Board of Directors of SCCA approved an unsecured subordinate loan not to exceed $4,500,000 to SCCAH to enable SCCAH to pay costs of and obtain financing for patient housing. The unpaid principal balance of the note bears uncompounded annual interest at the rate of 5%. Annual interest owed is to be paid on each February 1 starting February 1, 2009. Unless earlier repaid, the entire unpaid principal balance of the note, plus interest due is payable on March 1, 2038.

(d) Accounting for Derivative Instruments and Hedging Activities

SCCA entered into two hedging transactions associated with the 2001 Bonds. The hedge transactions were entered into on September 16, 2002 and March 18, 2003, each having a five year term and are pay fixed, receive floating interest rate swap contracts, which effectively converted a variable rate obligation to a fixed rate of 2.97% and 2.98%, respectively. The swaps expired September 1, 2007 and April 1, 2008, respectively. The notional amounts of the two transactions were each $11,050,000 for a total of $22,100,000, which was equal to the principal balance of the 2001 Bonds at the time of the hedging transactions. These hedging transactions were designated as cash flow hedges. As of June 30, 2008 and 2007, SCCA has recorded total deferred assets of $0 and 74,000, respectively, for the two transactions, which reflects the fair market value of the hedged transactions due to the change in interest rates from the date the hedging transactions were entered into. These amounts have been included in accounts payable and accrued expenses in the accompanying balance sheets.

(7) Net Patient Service Revenue

SCCA has agreements with third party payors that provide for payments to SCCA at amounts different from its established rates. Approximately 24.9% and 10.9% of SCCA's gross patient service revenue in fiscal year 2008 and 23.3% and 10.8% in 2007 were derived from Medicare and Medicaid patients, respectively, the continuance of which is dependent upon governmental policies. A summary of the payment arrangements with major third party payors follows:

Medicare – Medicare pays for inpatient hospital services under the prospective payment system (PPS) unless the provider is statutorily exempt from PPS (Exempt Hospital). PPS hospitals are paid a predetermined flat rate for inpatient care that is based on the patient's diagnosis at discharge while Exempt Hospitals are paid based on the "reasonable cost" of the services provided subject to an annual rate of increase limit. Exempt Hospitals receive a per diem interim payment for the cost of inpatient care that is adjusted based on a final cost report settlement. Certain types of cancer hospitals are currently included among the Exempt Hospitals. SCCA's inpatient facility has been recognized by Medicare as an Exempt Hospital. SCCA's interim payments for inpatient services are on a percentage of charges basis.

Medicare has historically paid for outpatient services on the basis of the cost of or a portion of the cost of providing the services. The Balanced Budget Act of 1997 (BBA) required a phased in prospective payment system for outpatient services (OP PPS). The Center for Medicare and Medicaid Services (CMS), an agency of the United States Department of Health and Human Services (HHS), issued regulations implementing OP PPS, which became effective as of August 1, 2000. Before the effective date of OP PPS, the Balanced Budget Refinement Act of 1999 (BBRA) established a "hold harmless" provision for cancer hospitals ensuring that they would be made whole for any payment losses incurred under OP PPS. Under the hold harmless provision, if the amount of payment the cancer hospital would receive under OP PPS is less than what it would have received before OP PPS' implementation, the amount of payment due to the cancer hospital will be increased by the amount of such difference. As an Exempt Hospital, SCCA qualifies for payment under the hold harmless provision.

Net patient service revenues were increased by $2,067,000 and $1,200,000 in 2008 and 2007, respectively, to reflect changes in estimated Medicare settlements for certain prior years.

Medicaid – The SCCA is paid for services provided to Medicaid patients under a Ratio of Costs to Charges (RCC) based system as well as a modified DRG system for a portion of its inpatient activity.

Commercial Case Rate Contracts – For certain commercial payors, SCCA has negotiated a single payment (case rate) for a defined period of care (case rate period) related to providing a bone marrow or stem cell transplant. All of SCCA's case rate contracts specify a minimum and maximum payment calculation based on a review of actual gross charges provided during the case rate period. In addition to the case rate payments, the case rate contracts also specify negotiated fee-for-service rates for services performed outside of the case rate period. Case rate contracts extend to SCCA affiliates. SCCA serves as the collection agent for the case rate payments. All case rate payments are remitted to SCCA, which in turn remits payment to each respective affiliate for its proportionate share of services rendered. Any liability to affiliates has been accrued in accounts payable and accrued expenses at June 30, 2008 and 2007.

(Continued)

Net patient service revenue consists of the following for the years ended June 30:

	2008	2007
Gross patient service revenue	$ 305,399,000	266,127,000
Deductions from gross patient service revenue	(106,345,000)	(88,805,000)
Net patient service revenue	$ 199,054,000	177,322,000

Charity Care

SCCA provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because SCCA does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Approximately $2,102,000 and $2,292,000 was provided in charity care in 2008 and 2007, respectively. The net cost of charity care provided was approximately $1,425,000 in 2008 and $1,561,000 in 2007. The net cost of charity care was calculated using a percentage of cost to charges, which was 68% in 2008 and 2007. The number of charity care patients served was 1,322 in 2008 and 1,074 in 2007.

(8) Fair Value of Financial Instruments

The carrying value of current assets and current liabilities approximate fair value due to the relatively short maturity of those instruments.

The fair value of assets whose use is limited and other investments are estimated based on quoted market prices and such amounts are reported in the balance sheet at fair value. The variable rate long-term debt accrues interest based upon variable interest rates and approximates fair value since interest rates are adjusted weekly.

(9) Related Party Transactions

Members of SCCA share equally in the capital contributions and in the results of operations. The initial capital contributions of the members were based on a contribution schedule in accordance with the Members Agreement dated June 15, 1998. Contributions in 1998 consisted of cash payments, contributed equipment, a ground lease, and the fair value of existing businesses. The fair value of existing businesses were recorded as intangible assets at the time that the related programs were transferred to the SCCA (note 5). No contributions have been made since fiscal 2001.

(a) Outpatient and Other Services

SCCA and its member organizations have entered into various affiliate agreements in order to optimize the use of clinical and support functions available from member organizations. Certain affiliate agreements relate to support functions, including human resources, information technology, and cover the cost of staff, purchased services and supplies, including pharmaceuticals and medical supplies. Affiliate agreements are based upon negotiated fixed monthly amounts or other specified terms and conditions for each prescribed service. Such amounts are renegotiated annually. SCCA purchased support functions from affiliates totaling $27,515,000 and $23,303,000 in fiscal years

2008 and 2007, respectively, and SCCA sold support functions to member organizations in the amount of $11,477,000 and $11,107,000 in fiscal years 2008 and 2007, respectively.

(b) Inpatient Services

Under the Pediatric and Adult Inpatient Services Agreement, SCCA operates certain ambulatory cancer care services and facilities, and obtains inpatient services from Seattle Children's Hospital for pediatric patients and UWMC for adult patients. SCCA provides programmatic direction for the inpatient cancer services at UWMC and Seattle Children's Hospital as set forth in the respective agreements. UWMC and Seattle Children's Hospital make their personnel and facilities available to FHCRC, as set forth in the respective agreements, to enable FHCRC to meet its requirements in connection with pediatric and adult cancer research and obtain certain research and related services. The Adult Inpatient Services agreement was amended and restated effective July 1, 2007.

In addition, SCCA operates a 20 bed inpatient unit within UWMC's facility. SCCA has received notification from the fiscal intermediary that this inpatient unit is designated as a hospital within a hospital. Therefore, gross revenues for these inpatient services are recorded by SCCA, which provides medical oversight and management for the inpatient unit. UWMC provides patient care services to SCCA including necessary personnel, equipment, and ancillary services. SCCA pays UWMC for services provided to SCCA inpatients based upon the agreement. SCCA recognized $27,040,000 and $23,223,000 of expenses related to these services in fiscal years 2008 and 2007, respectively.

SCCA also makes its personnel and facilities available to FHCRC, to enable FHCRC to meet its requirements in connection with adult cancer research. SCCA purchases from FHCRC certain research and development support, data collection and analysis, physician assistant services, consulting services, and license rights to use the FHCRC name in connection with the inpatient cancer services program. SCCA incurred $4,576,000 and $4,422,000 in expenses related to these services in fiscal years 2008 and 2007, respectively.

(c) Due from/Due to Related Parties

SCCA has amounts due from or due to related parties for the various transactions described above, which are as follows as of June 30:

	2008		2007	
	Due from related parties	Due to related parties	Due from related parties	Due to related parties
FHCRC	$ 314,000	1,373,000	254,000	1,960,000
UWMC	1,225,000	13,660,000	1,346,000	12,294,000
SCH	135,000	6,000	334,000	—
UW Medicine	227,000	2,272,000	669,000	864,000
	$ 1,901,000	17,311,000	2,603,000	15,118,000

(Continued)

(10) Commitments and Contingencies

(a) Operating Leases

SCCA leases equipment and office space under operating leases expiring at various dates through December 2012. Total rental expense in fiscal years 2008 and 2007 for all operating leases was approximately $1,686,000 and $1,659,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2008, that have initial or remaining lease terms in excess of one year:

2009	$ 1,033,000
2010	1,007,000
2011	1,024,000
2012	1,053,000
2013	824,000
Thereafter	1,307,000
	$ 6,248,000

(b) Capital Commitments

SCCA has capital commitments of approximately $1,090,000 as of June 30, 2008. SCCAH has capital commitments of approximately $17,891,000 as of June 30, 2008 related to the constructing of the Patient House facility.

(c) Litigation

SCCA is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on SCCA's future financial position or results from operations.

(d) Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that SCCA is in compliance with the fraud and abuse regulations as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions known or unasserted at this time.

(11) Professional Liability

SCCA maintains claims made professional liability insurance coverage through a commercial insurance carrier. The policies in effect for fiscal years 2008 and 2007 have a $1,000,000 limit per occurrence, and a limit in the aggregate of $3,000,000. SCCA has purchased $40,000,000 of excess coverage.

SCCA has recorded a liability, which represents an estimate for the ultimate settlement for claims incurred but not reported. At June 30, 2008 and 2007, the professional liability was estimated at approximately $1,160,000 and $1,365,000, and is included in other long-term liabilities in the accompanying consolidated balance sheets.

(12) Retirement Plan

SCCA has a defined contribution plan for its salaried employees. Employees are generally eligible after one year of service. SCCA contributes 7% of each eligible employee's compensation up to the Social Security wage base limit and 12% on compensation above the limit. Contributions for the years ended June 30, 2008 and 2007 were $2,496,000 and $1,515,000, respectively.

(13) Subsequent Events

(a) Variable Rate Demand Bonds

SCCA and SCCAH, collectively, have $64,848,000 of variable rate demand bonds as of June 30, 2008, which are included in long-term debt in the accompanying consolidated balance sheets. SCCA and SCCAH have interest rates that reset weekly. Variable interest rates have increased in 2008, and until there is some relief from the illiquid market conditions in debt markets, SCCA and SCCAH expect to incur higher interest rate expense. SCCA and SCCAH experienced a range of interest rates in fiscal year 2008 from 1.3% to 4.1%. Subsequent to year end the range has been 1.4% to 8.0%. Under the SCCA and SCCAH bond documents, the maximum possible interest rate is 15%.

(b) Seattle Cancer Care Alliance Proton Therapy Center

SCCA incorporated Seattle Cancer Care Alliance Proton Therapy Center on August 29, 2008 in the State of Washington. This entity is a subsidiary of SCCA and it has applied for recognition as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. SCCA has incurred building design costs of $1,225,000 which are reflected in construction in progress in property, plan and equipment in the accompanying consolidated balance sheets.

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidating Balance Sheets

June 30, 2008 and 2007

Assets		SCCA	SCCAH	Eliminations	Consolidated
Current assets:					
Cash and cash equivalents	$	14,765,000	76,000	—	14,841,000
Short-term investments		40,114,000	—	—	40,114,000
Patients accounts receivable, net		35,164,000	—	—	35,164,000
Due from related parties		1,901,000	—	—	1,901,000
Other receivables		2,381,000	—	—	2,381,000
Current portion of assets whose use is limited		246,000	1,464,000	—	1,710,000
Supplies inventory, at cost		2,335,000	—	—	2,335,000
Prepaid expenses		2,025,000	48,000	—	2,073,000
Total current assets		98,931,000	1,588,000	—	100,519,000
Assets whose use is limited:					
Trustee held funds and other		2,690,000	20,030,000	—	22,720,000
Total assets whose use is limited		2,690,000	20,030,000	—	22,720,000
Less current portion		(246,000)	(1,464,000)	—	(1,710,000)
Net assets whose use is limited		2,444,000	18,566,000	—	21,010,000
Long-term investments		37,576,000	—	—	37,576,000
Property, plant, and equipment, net		91,298,000	8,297,000	—	99,595,000
Deferred financing costs, net		619,000	555,000	—	1,174,000
Intangible assets, net		18,493,000	—	—	18,493,000
Receivable from affiliate		3,984,000	—	(3,984,000)	—
Investment in affiliate		2,211,000	—	(2,211,000)	—
Total assets	$	255,556,000	29,006,000	(6,195,000)	278,367,000
Liabilities					
Current liabilities:					
Current portion of long-term debt	$	980,000	—	—	980,000
Accounts payable and accrued expenses		16,861,000	1,437,000	—	18,298,000
Due to related parties		17,311,000	—	—	17,311,000
Third-party payor settlements payable		5,463,000	—	—	5,463,000
Accrued interest payable		52,000	27,000	—	79,000
Total current liabilities		40,667,000	1,464,000	—	42,131,000
Long-term debt, net		42,521,000	21,347,000	—	63,868,000
Other long-term liabilities		1,401,000	3,984,000	(3,984,000)	1,401,000
Total liabilities		84,589,000	26,795,000	(3,984,000)	107,400,000
Unrestricted net assets:					
Unrestricted net assets		168,537,000	2,211,000	(2,211,000)	168,537,000
Temporarily restricted net assets		2,430,000	—	—	2,430,000
Total net assets		170,967,000	2,211,000	(2,211,000)	170,967,000
Total liabilities and net assets	$	255,556,000	29,006,000	(6,195,000)	278,367,000

See accompanying independent auditors' report.

SEATTLE CANCER CARE ALLIANCE AND AFFILIATE

Consolidating Statements of Operations

June 30, 2008 and 2007

	SCCA	SCCAH	Eliminations	Consolidated
Operating revenues:				
Net patient service revenue	$ 199,054,000	—	—	199,054,000
Other operating revenue	16,400,000	—	—	16,400,000
Net assets released from restriction for operations	684,000	—	—	684,000
Total operating revenue	216,138,000	—	—	216,138,000
Operating expenses:				
Salaries, wages, and benefits	56,623,000	—	—	56,623,000
Purchased services	79,112,000	—	—	79,112,000
Supplies	44,992,000	—	—	44,992,000
Depreciation and amortization	9,194,000	6,000	—	9,200,000
Interest	1,566,000	1,000	—	1,567,000
Bad debt	1,295,000	—	—	1,295,000
Other	15,194,000	—	—	15,194,000
Total operating expenses	207,976,000	7,000	—	207,983,000
Net income (loss) from operations	8,162,000	(7,000)	—	8,155,000
Other income:				
Investment income and other	4,154,000	—	7,000	4,161,000
Excess of revenues over expenses	12,316,000	(7,000)	7,000	12,316,000
Change in net unrealized fair value of hedged transaction	(74,000)	—	—	(74,000)
Change in net unrealized gains on investments	287,000	—	—	287,000
Property contributed to affiliate	(2,218,000)	2,218,000	—	—
Investment in affiliate	2,218,000	—	(2,218,000)	—
Change in unrestricted net assets	$ 12,529,000	2,211,000	(2,211,000)	12,529,000

See accompanying independent auditors' report.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST

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APPENDIX C
SUMMARY OF CERTAIN PROVISIONS OF THE MASTER INDENTURE AND THE DEED OF TRUST

The following summary of certain provisions of the Master Indenture, Supplemental Indenture No. 1, Obligation No. 1 and the Deed of Trust describes provisions of those documents not described elsewhere in this Official Statement. This summary does not purport to be comprehensive. Reference should be made to the Master Indenture, Supplemental Indenture No. 1, Obligation No. 1 and the Deed of Trust for a full and complete statement of the provisions of said documents.

DEFINITIONS

"*Accelerable Instrument*" means any Master Indenture Obligation or any mortgage, indenture, loan agreement or other instrument under which there has been issued or incurred, or by which there is secured, any Indebtedness evidenced by a Master Indenture Obligation, which Master Indenture Obligation or instrument provides that, upon the occurrence of an event of default under such Master Indenture Obligation or instrument, the holder thereof may request that the Master Trustee declare such Master Indenture Obligation or Indebtedness due and payable prior to the date on which it would otherwise become due and payable.

"*Accountant*" means any independent certified public accountant or firm of such accountants selected by the Credit Group Representative.

"*Annual Debt Service*" means for each Fiscal Year the sum (without duplication) of the aggregate amount of principal and interest scheduled to become due and payable in such Fiscal Year on all Long-Term Indebtedness of the Credit Group then Outstanding (by scheduled maturity, acceleration, mandatory redemption or otherwise), less any amounts of such principal or interest to be paid during such Fiscal Year from (a) the proceeds of Indebtedness or (b) money or Government Obligations deposited in trust for the purpose of paying such principal or interest; provided that if a Financial Products Agreement has been entered into by any Credit Group Member with respect to Long-Term Indebtedness, interest on such Long-Term Indebtedness shall be included in the calculation of Annual Debt Service by including for each Fiscal Year an amount equal to the amount of interest payable on such Long-Term Indebtedness in such Fiscal Year at the rate or rates stated in such Long-Term Indebtedness plus any Financial Product Payments payable in such Fiscal Year minus any Financial Product Receipts receivable in such Fiscal Year; provided that in no event shall any calculation made pursuant to this clause result in a number less than zero being included in the calculation of Annual Debt Service.

"*Authorized Representative*" means with respect to each Credit Group Member, its chairman or vice chairman of the board, president, executive vice president, chief financial officer, or any other person designated as an Authorized Representative of such Credit Group Member by a Certificate of that Credit Group Member signed by its chairman or vice chairman of the board, president, chief executive officer, or chief financial officer and filed with the Master Trustee.

"*Balloon Indebtedness*" means Long-Term Indebtedness, 25% or more of the principal of which (calculated as of the date of issuance) becomes due during any period of 12 consecutive months if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption prior to such 12-month period.

"*Book Value*" means, when used in connection with Property, Plant and Equipment or other Property of any Credit Group Member, the value of such property, net of accumulated depreciation, as it is carried on the books of the Credit Group Member and in conformity with GAAP, and when used in connection with Property, Plant and Equipment or other Property of the Credit Group, means the aggregate of the values so determined with respect to such Property of each Credit Group Member determined in such a way that no portion of such value of Property of any Credit Group Member is included more than once.

"*Certificate*", "*Statement*", "*Request*", "*Consent*" or "*Order*" of any Credit Group Member or of the Master Trustee means, respectively, a written certificate, statement, request, consent or order signed in the name of such Credit Group Member by its Authorized Representative or in the name of the Master Trustee by its Responsible

Officer. Any such instrument and supporting opinions or certificates, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or certificate and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Master Indenture, each such instrument shall include the statements provided for Master Indenture.

"*Completion Indebtedness*" means any Long-Term Indebtedness incurred for the purpose of financing the completion of construction or equipping of any project for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Master Indenture, to the extent necessary to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness was incurred, and in accordance with the general plans and specifications for such facility as originally prepared and approved in connection with the related financing, modified or amended only in conformance with the provisions of the documents pursuant to which the related financing was undertaken.

"*Controlling Member*" means the Obligated Group Member designated by the Credit Group Representative to establish and maintain control over a Designated Affiliate.

"*Credit Group*" or "*Credit Group Members*" means all Obligated Group Members and Designated Affiliates.

"*Credit Group Financial Statements*" has the meaning set forth in "THE MASTER INDENTURE – Filing of Financial Statements Certificate of No Default and Other Information."

"*Credit Group Representative*" means SCCA or such other Obligated Group Member (or Obligated Group Members acting jointly) as may have been designated pursuant to written notice to the Master Trustee executed by SCCA or a successor Credit Group Representative.

"Days Cash on Hand" means the number determined by dividing (a) the amount of the cash, cash equivalents and marketable securities and board-designated funds of the Obligated Group available for the payment of operating expenses or Debt Service Requirements on the date of calculation, but excluding (i) trustee-held funds and (ii) the outstanding principal amount of the Obligated Group's Debt for borrowed moneys payable in one year or less unless there is a binding commitment to pay the borrowed moneys from a bank whose unsecured debt is rated "A" or better by Moody's Investors Service, Inc. (or its successor) and Standard & Poor's Ratings Services (or its successor), by (b) the Obligated Group's Expenses plus the amount of interest expense on the Obligated Group's Long-Term Debt (other than any amortization of termination payments or receipts under Interest Rate Agreements), all for the most recent fiscal year for which audited financial statements are available, divided by 365.

"*Debt Service Coverage Ratio*" means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service.

"*Deed of Trust*" means the Deed of Trust, Assignment of Leases and Rents and Security Agreement and Fixture Filing, from SCCA as grantor, to First American Title Insurance Company, as deed of trust trustee, for the benefit of the Master Trustee as beneficiary, as originally executed and as it may subsequently be modified, amended or restated.

"*Deed of Trust Property*" means the property subject to the lien of the Deed of Trust. See "FACILITIES AND SERVICES – Outpatient Facility" in Appendix A for a description of the Deed of Trust Property.

"*Deed of Trust Trustee*" means First American Title Insurance Company.

"*Default*" means an event that, with the passage of time or the giving of notice or both, would become an Event of Default.

"*Designated Affiliate*" means any Person which has been so designated by the Credit Group Representative in accordance with the Master Indenture so long as such Person has not been further designated by the Credit Group Representative as no longer being a Designated Affiliate in accordance with the Master Indenture.

"*Event of Default*" means any of the events specified in "THE MASTER INDENTURE – Events of Default."

"*Fair Market Value*" when used in connection with Property, means the fair market value of such Property as determined by either:

(a) an appraisal of the portion of such Property which is real property made within five years of the date of determination by a "Member of the Appraisal Institute" and by an appraisal of the portion of such Property which is not real property made within five years of the date of determination by any expert qualified in relation to the subject matter, provided that any such appraisal shall be performed by an Independent Consultant, adjusted for the period, not in excess of five years, from the date of the last such appraisal for changes in the implicit price deflator for the gross national product as reported by the United States Department of Commerce or its successor agency, or if such index is no longer published, such other index certified to be comparable and appropriate in an Officer's Certificate delivered to the Master Trustee; and provided further that an appraisal of investments or Financial Products Agreement shall be shall be based on the most recent market valuation available;

(b) a bona fide offer for the purchase of such Property made on an arm's-length basis within six months of the date of determination, as established by an Officer's Certificate; or

(c) an officer of the Credit Group Representative (whose determination shall be made in good faith and set forth in an Officer's Certificate filed with the Trustee) if the fair market value of such Property is less than or equal to the greater of $1,000,000 or 2.5% of cash and equivalents as shown on the most recent audited financial statements of the Credit Group Members.

"*Financial Products Agreement*" means any interest rate exchange agreement, hedge or similar arrangement, including, *inter alia*, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis, identified to the Master Trustee in a Certificate of the Credit Group Representative as having been entered into by an Obligated Group Member with a Qualified Provider with respect to Indebtedness (which is either then-Outstanding or to be issued after the date of such Certificate) identified in such Certificate.

"*Financial Product Extraordinary Payments*" means any payments required to be paid to a counterparty by an Obligated Group Member pursuant to a Financial Products Agreement in connection with the termination thereof, tax gross-up payments, expenses, default interest, and any other payments or indemnification obligations to be paid to a counterparty by an Obligated Group Member under a Financial Products Agreement, which payments are not Financial Product Payments.

"*Financial Product Payments*" means regularly scheduled payments required to be paid to a counterparty by an Obligated Group Member pursuant to a Financial Products Agreement.

"*Financial Product Receipts*" means regularly scheduled payments required to be paid to an Obligated Group Member by a counterparty pursuant to a Financial Products Agreement.

"*Fiscal Year*" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter designated by the Credit Group Representative as the fiscal year of the Credit Group.

"*GAAP*" means accounting principles generally accepted in the United States of America, consistently applied.

"*Governing Body*" means, when used with respect to any Credit Group Member, its board of directors, board of trustees or other board or group of individuals in which all of the powers of such Credit Group Member are vested, except for those powers reserved to the corporate membership of such Credit Group Member by the articles of incorporation or bylaws of such Credit Group Member.

"*Government Issuer*" means any municipal corporation, political subdivision, state, territory or possession of the United States, or any constituted authority or agency or instrumentality of any of the foregoing empowered to issue obligations on behalf thereof, which obligations would constitute Related Bonds hereunder.

"*Government Obligations*" means: (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America; (2) obligations issued or guaranteed by any agency, department or instrumentality of the United States of America if the obligations issued or guaranteed by such entity are rated in one of the two highest Rating Categories of a Rating Agency; (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and/or (2), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust of cash and/or obligations described in clauses (1), (2) and/or (3).

"*Government Restriction*" means federal, state or other applicable governmental laws or regulations affecting any Credit Group Members and its health care facilities, adult congregate living facilities or other facilities placing restrictions and limitations on the (i) fees and charges to be fixed, charged or collected by any Credit Group Member or (ii) the timing of the receipt of such revenues.

"*Gross Receivables*" means all of the accounts, chattel paper, instruments and general intangibles (all as defined in Chapter 62A.9 RCW) of each Obligated Group Member, as are now in existence or as may be hereafter acquired and the proceeds thereof; excluding, however, all receivables representing (i) donor restricted gifts, grants, bequests, donations, legacies, pledges and contributions heretofore or hereafter acquired by any Obligated Group Member and (ii) all receivables attributable to any services rendered by any Obligated Group Member involving or related to proton beam therapy including without limitation proton beam therapy services billed under CPT codes 77520 through 77525 and support services billed under 77261 through 77299 (Clinical Treatment Planning), 77300 through 77370 (Medical Radiation Physics, Dosimetry, Treatment Devices, and Special Services), 77401 through 77421 (Radiation Treatment Delivery), and 77427 through 77499 (Radiation Treatment Management), or any successors thereto.

"*Guaranty*" means all obligations of a Person guaranteeing, or in effect guaranteeing, any Indebtedness or other obligation of any Primary Obligor in any manner, whether directly or indirectly, including but not limited to obligations incurred through an agreement, contingent or otherwise, by such Person: (1) to purchase such Indebtedness or obligation or any Property constituting security therefor; (2) to advance or supply funds: (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain working capital or other balance sheet condition; (3) to purchase securities or other Property or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of the Primary Obligor to make payment of the Indebtedness or obligation; or (4) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

"*Holder*" means the registered owner of any Master Indenture Obligation in registered form or the bearer of any Master Indenture Obligation in coupon form which is not registered or is registered to bearer.

"*Immaterial Affiliates*" means Persons that are not Members of the Credit Group and whose combined total unrestricted net assets, as shown on their financial statements for their most recently completed fiscal year, aggregated less than 10% of the combined or consolidated unrestricted net assets of the Credit Group as shown on the Credit Group Financial Statements, plus the unrestricted net assets of such Persons as if they were Members of the Credit Group for such period, for the most recently completed Fiscal Year of the Credit Group.

"*Income Available for Debt Service*" means, unless the context provides otherwise, with respect to the Credit Group as to any period of time, net income, or excess of revenues over expenses (excluding income from all Irrevocable Deposits) before depreciation, amortization, and interest expense, as determined in accordance with GAAP and as shown on the Credit Group Financial Statements; provided, that no determination thereof shall take into account:

(a) any revenue or expense of a Person which is not a Member of the Credit Group;

(b) gifts, grants, bequests, donations or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses;

(c) the net proceeds of insurance (other than business interruption insurance) and condemnation awards;

(d) any gain or loss resulting from the extinguishment of Indebtedness;

(e) any gain or loss resulting from the sale, exchange or other disposition of assets not in the ordinary course of business;

(f) any gain or loss resulting from any discontinued operations;

(g) any gain or loss resulting from pension terminations, settlements or curtailments;

(h) any unusual charges for employee severance;

(i) adjustments to the value of assets or liabilities resulting from changes in GAAP;

(j) any gain, loss or change in value of investment securities that is not the result of the sale, transfer or disposition of such investment securities;

(k) gains or losses resulting from changes in valuation of any interest rate exchange agreement, hedge or similar arrangement, including, *inter alia*, an interest rate swap, asset swap, a constant maturity swap, a forward or futures contract, cap, collar, option, floor, forward or other hedging agreement, arrangement or security, direct funding transaction or other derivative, however denominated and whether entered into on a current or forward basis;

(l) any Financial Product Extraordinary Payments or similar payments on any hedging, derivative, interest rate exchange or similar contract that does not constitute a Financial Products Agreement;

(m) unrealized gains or losses from the write-down, reappraisal or revaluation of assets, or

(n) other nonrecurring items of any extraordinary nature which do not involve the receipt, expenditure or transfer of assets.

"*Indebtedness*" means, for any Person, (a) all Guaranties by such Person, (b) all liabilities (exclusive of reserves such as those established for deferred taxes or litigation) recorded or required to be recorded as such on the audited financial statements of such Person, in accordance with generally accepted accounting principles in use in the United States (except to the extent provided in the Master Indenture), if such liabilities were incurred, assumed or established primarily to assure the repayment of money borrowed, credit extended or the equivalent thereof, and (c) all obligations for the payment of money incurred or assumed by such Person (i) due and payable in all events including without limitation take or pay contracts or (ii) if incurred or assumed primarily to assure the repayment of money borrowed, credit extended or the equivalent thereof, due and payable upon the occurrence of a condition precedent or upon the performance of work, possession of Property as lessee, rendering of services by others or otherwise, and shall include, without limitation, Non-Recourse Indebtedness; provided that Indebtedness shall not include Indebtedness of one Member to another Member, any Guaranty by any Member of Indebtedness of any other Member, the joint and several liability of any Member on Indebtedness issued by another Member, Financial Product Agreements, except to the extent such Financial Product Agreements provide for the repayment of money borrowed, credit extended (provided that in the case of Financial Products Agreements the right of a Member to not post collateral if the market value of the swap to such member is negative shall not be deemed to be credit extended) or the equivalent thereof, or any obligation to repay moneys deposited by patients or others with a Member as

security for or as prepayment of the cost of patient care or any rights of residents of life care, elderly housing or similar facilities to endowment or similar funds deposited by or on behalf of such residents.

"*Independent Consultant*" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in any Credit Group Member (other than the agreement pursuant to which such firm is retained), (3) is not connected with any Credit Group Member as an officer, employee, promoter, trustee, partner, director or person performing similar functions and (4) is qualified to pass upon questions relating to the financial affairs of organizations similar to the Credit Group or facilities of the type or types operated by the Credit Group and having the skill and experience necessary to render the particular opinion or report required by the provision Master indenture in which such requirement appears.

"*Insurance Consultant*" means a Person (which may be an insurance broker or agent of a Credit Group Member) which (a) is in fact independent, (b) does not have any direct financial interest or any material indirect financial interest in any Credit Group Member (other than the agreement pursuant to which such Person is retained), (c) is not connected with any Credit Group Member as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions, and (d) is designated by the Credit Group Representative as being qualified to survey risks and to recommend insurance coverage for hospitals, health-related facilities and services and organizations engaged in such operations.

"*Irrevocable Deposit*" means the irrevocable deposit in trust of cash in an amount, or Government Obligations, or other securities permitted for such purpose pursuant to the terms of the documents governing the payment of or discharge of Indebtedness, the principal of and interest on which will be an amount, and under terms sufficient to pay all or a portion of the principal of, premium, if any, and interest on, as the same shall become due, any such Indebtedness which would otherwise be considered Outstanding. The trustee of such deposit may be the Master Trustee, a Related Bond Trustee or any other trustee or escrow agent authorized to act in such capacity.

"*Lien*" means any mortgage or pledge of, or security interest in, or lien or encumbrance on, any Property of an Obligated Group Member (i) which secures any Indebtedness or any other obligation of such Obligated Group Member or (ii) which secures any obligation of any Person other than an Obligated Group Member, and excluding liens applicable to Property in which an Obligated Group Member has only a leasehold interest unless the lien secures Indebtedness of that Obligated Group Member.

"*Liquidity Test"* means, with respect to any specified transaction, that immediately following the specified transaction and after taking into consideration any Property to be disposed of the Days Cash on Hand of the Obligated Group would not be less than 65.

"*Long-Term Indebtedness*" means Indebtedness other than Short-Term Indebtedness.

"*Master Indenture*" means the Master Indenture, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms of the Master Indenture.

"*Master Indenture Obligation*" means any obligation of the Obligated Group issued pursuant to the Master Indenture, as a joint and several obligation of each Obligated Group Member, which may be in any form set forth in a Related Supplement, including, but not limited to, bonds, notes, obligations, debentures, reimbursement agreements, loan agreements, Financial Products Agreements or leases. Reference to a Series of Master Indenture Obligations or to Master Indenture Obligations of a Series means Master Indenture Obligations or Series of Master Indenture Obligations issued pursuant to a single Related Supplement.

"*Master Trustee*" means U.S. Bank National Association, a national banking association organized under the laws of the United States of America, and, subject to the limitations contained in the Master Indenture, any other corporation or association that may be co-trustee with the Master Trustee, and any successor or successors to said trustee or co-trustee in the trusts created hereunder.

"*Material Credit Group Members*" means the Credit Group Members whose combined or consolidated unrestricted net assets, as shown on their financial statements for their most recently completed fiscal year, were

equal to or greater than 90% of the combined or consolidated unrestricted net assets of the entire Credit Group as shown on the Credit Group Financial Statements for the most recently completed Fiscal Year of the Credit Group.

"*Maximum Annual Debt Service*" means the greatest amount of Annual Debt Service becoming due and payable in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however that for the purposes of computing Maximum Annual Debt Service:

(a) with respect to a Guaranty, (i) if the Credit Group Members have made a payment pursuant to such Guaranty, one hundred percent (100%) of the Annual Debt Service (calculated as if such Person were a Credit Group Member) guaranteed by the Credit Group Members under the Guaranty shall be included in the calculation of Annual Debt Service in the year in which such payment was made and for two Fiscal Years thereafter and (ii) otherwise, there shall be included in the calculation of Annual Debt Service a percentage of the Annual Debt Service (calculated as if such Person were a Credit Group Member) guaranteed by the Credit Group Members under the Guaranty, based on the ratio of Income Available for Debt Service of the Person whose indebtedness is guaranteed by the Credit Group Member (calculated as if such Person were a Credit Group Member), over the Maximum Annual Debt Service of such Person (calculated as if such Person were a Credit Group Member) (the "Ratio"). If the Ratio is less than 1.25, one hundred percentage of Annual Debt Service on such indebtedness shall be included in the calculation of Annual Debt Service. If the Ratio is greater than or equal to the values set forth below, the applicable percentage of Annual Debt Service on such indebtedness shall be included in the calculation of Annual Debt Service, as follows:

Ratio	Percentage of Annual Debt Service on such Indebtedness to be Included
1.25 to 1.50	75%
1.50 to 2.0	25%
2.0 or greater	0%

(b) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula (or if Financial Product Payments or Financial Product Receipts are determined pursuant to a variable rate formula), the interest rate on such Long-Term Indebtedness (or the variable rate formula for such Financial Product Payments or Financial Product Receipts) for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to (i) if such Long-Term Indebtedness (or Financial Product Agreement) was Outstanding during the 12 calendar months immediately preceding the date of calculation, an average of the interest rates per annum which were in effect, and (ii) if such Long-Term Indebtedness (or Financial Product Agreement) was not Outstanding during the 12 calendar months immediately preceding the date of calculation, an average of the SIFMA Index (or a comparable index certified as being comparable by the Credit Group Representative if such Long-Term Indebtedness is not tax-exempt Indebtedness) during the 12 calendar months immediately preceding the date of calculation, all as specified in either, at the election of the Credit Group Representative, a Certificate of the Credit Group Representative or a written statement from a investment banking or financial advisory firm;

(c) if money or Government Obligations have been deposited with a trustee or escrow agent in an amount, together with earnings thereon, sufficient to pay all or a portion of the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, to the extent provided for, shall not be included in computations of Maximum Annual Debt Service;

(d) debt service on Long-Term Indebtedness incurred to finance capital improvements shall be included in the calculation of Maximum Annual Debt Service only in proportion to the amount of interest on such Long-Term Indebtedness which is payable in the then current Fiscal Year from sources other than proceeds of such Long-Term Indebtedness (other than proceeds deposited in debt service reserve funds) held by a trustee or escrow agent for such purpose; and

(e) with respect to Balloon Indebtedness, at the option of the Credit Group Representative, such Balloon Indebtedness shall be treated as Long-Term Indebtedness with substantially level debt service over a period of 30 years from the date of incurrence of such Balloon Indebtedness at an interest rate equal to a fixed rate

equal to the Thirty-Year Revenue Bond Index most recently published in *The Bond Buyer*; provided, however, that the entire principal amount of such Balloon Indebtedness shall be included in the calculation of Maximum Annual Debt Service if such calculation is made within twelve months of the maturity of such Balloon Indebtedness.

"*Merger Transaction*" has the meaning set forth under "THE MASTER INDENTURE – Merger, Sale or Conveyance."

"*Nonrecourse Indebtedness*" means any Indebtedness which is not a general obligation and which is secured by a Lien on Property, Plant and Equipment Property that is acquired or constructed with the proceeds of such Indebtedness and that is not Deed of Trust Property, liability for which is effectively limited to the Property, Plant and Equipment subject to such Lien with no recourse, directly or indirectly, to any other Property of any Credit Group Member.

"*Obligated Group*" means all Obligated Group Members.

"*Obligated Group Member*" or "*Member*" means each Person that is obligated hereunder from and after the date upon which such Person joins the Obligated Group, but excluding any Person which withdraws from the Obligated Group to the extent and in accordance with the provisions of the Master Indenture, from and after the date of such withdrawal.

"*Obligation No. 1*" means the Master Indenture Obligation issued under the Master Indenture and Supplement Indenture No. 1.

"*Officer's Certificate*" means a certificate signed by an Authorized Representative of the Credit Group Representative.

"*Opinion of Bond Counsel*" means a written opinion signed by an attorney or firm of attorneys experienced in the field of public finance whose opinions are generally accepted by purchasers of bonds issued by or on behalf of a Government Issuer.

"*Opinion of Counsel*" means a written opinion signed by a reputable and qualified attorney or firm of attorneys who may be counsel for the Credit Group Representative.

"*Outstanding*," when used with reference to Indebtedness or Master Indenture Obligations, means, as of any date of determination, all Indebtedness or Master Indenture Obligations theretofore issued or incurred and not paid and discharged other than (1) Master Indenture Obligations theretofore cancelled by the Master Trustee or delivered to the Master Trustee for cancellation or otherwise deemed paid in accordance with the terms of the Master Indenture, (2) Master Indenture Obligations in lieu of which other Master Indenture Obligations have been authenticated and delivered or which have been paid pursuant to the provisions of a Related Supplement regarding mutilated, destroyed, lost or stolen Master Indenture Obligations unless proof satisfactory to the Master Trustee has been received that any such Master Indenture Obligation is held by a bona fide purchaser, (3) any Master Indenture Obligation held by any Credit Group Member and (4) Indebtedness deemed paid and no longer outstanding pursuant to the terms thereof; provided, however, that if two or more obligations which constitute Indebtedness represent the same underlying obligation (as when a Master Indenture Obligation secures an issue of Related Bonds and another Master Indenture Obligation secures repayment obligations to a bank under a letter of credit which secures such Related Bonds) for purposes of calculating compliance with the various financial covenants contained in the Master Indenture, but only for such purposes, only one of such Master Indenture Obligations shall be deemed Outstanding and the Master Indenture Obligation so deemed to be Outstanding shall be that Master Indenture Obligation which produces the greatest amount of Annual Debt Service to be included in the calculation of such covenants.

"*Parity Financial Product Extraordinary Payments*" means Financial Product Extraordinary Payments that (1) are with respect to a Financial Products Agreement secured or evidenced by an Obligation and (2) have been specified to be payable on a parity with Financial Product Payments in the Related Supplement authorizing the issuance of such Obligation.

"*Permitted Liens*" means and include:

(a) Any judgment lien or notice of pending action against any Credit Group Member so long as the judgment or pending action is being contested and execution thereon is stayed or while the period for responsive pleading has not lapsed;

(b) (i) Rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law, affecting any Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not materially impair the use of such Property or materially and adversely affect the Value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchase of, such Property; (ii) any liens on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not delinquent, or the amount or validity of which are being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen and laborers, have been due and payable or which are not delinquent, or the amount or validity of which, are being contested or, with respect to liens of mechanics, materialmen and laborers, have been due for less than sixty (60) days; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not materially impair the use of such Property or materially and adversely affect the Value thereof; and (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not materially impair the use of such Property in any manner, or materially and adversely affect the Value thereof;

(c) Any Lien described in Appendix A to the Master Indenture which is existing on the date of execution of the Master Indenture or as Appendix A may be supplemented upon addition of a Credit Group Member with respect to Liens existing on the Property of such additional Credit Group Member, provided that no such Lien (or the amount of Indebtedness or other obligations secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Credit Group Member not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien;

(d) Any Lien in favor of the Master Trustee securing all Outstanding Master Indenture Obligations equally and ratably;

(e) Liens arising by reason of good faith deposits with any Credit Group Member in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Credit Group Member 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 or assessments or other similar charges;

(f) 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 as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Credit Group Member to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(g) Any Lien arising by reason of any escrow or reserve fund established to pay debt service with respect to Indebtedness;

(h) Any Lien in favor of a trustee on the proceeds of Indebtedness prior to the application of such proceeds;

(i) Liens on money deposited by patients or others with any Credit Group Member as security for or as prepayment for the cost of patient care;

(j) Liens on Property received by any Credit Group Member through gifts, grants, bequests or research grants, such Liens being due to restrictions on such gifts, grants, bequests or research grants, up to the Fair Market Value of such Property;

(k) Rights of the United States of America (including, without limitation, the Federal Emergency Management Agency ("FEMA")) or any State by reason of FEMA and other federal and State grant funds (other than research grants) made available to any Member under federal or State statutes;

(l) Liens on Property securing Indebtedness incurred to refinance Indebtedness previously secured by a Lien on such Property, provided that (i) the amount of such new Indebtedness does not exceed the amount of such refinanced Indebtedness, (ii) the Property securing such Indebtedness is not changed, and (iii) the obligor with respect to such Indebtedness, whether direct or contingent, is not changed;

(m) Liens granted by a Credit Group Member to another Credit Group Member;

(n) Liens securing Nonrecourse Indebtedness incurred pursuant to the provisions of the Master Indenture; provided, that Nonrecourse Indebtedness may only be incurred to acquire or construct Property other than Deed of Trust Property and may only be secured by a lien against the Property so acquired or constructed.

(o) Liens consisting of purchase money security interests (as defined in the UCC) and lessors' interest in capitalized leases;

(p) Liens on the Obligated Group Members' accounts receivable securing Indebtedness provided that the principal amount of Indebtedness secured by any such Lien does not exceed the amount of such accounts receivable, and further provided, that the total amount of accounts receivable of the Obligated Group subject to such Liens shall not at any one time exceed 25% of the total accounts receivable of the Obligated Group as reflected on the most recent audited financial statements of the Obligated Group;

(q) Liens on revenues constituting rentals in connection with any other Lien permitted hereunder on the Property from which such rentals are derived;

(r) The lease or license of the use of a part of the Obligated Group Members' facilities for use in performing professional or other services necessary for the proper and economical operation of such facilities in accordance with customary business practices in the industry;

(s) Liens created on amounts deposited by an Obligated Group Member pursuant to a security annex or similar document to collateralize obligations of such Member under a Financial Products Agreement;

(t) Liens junior to Liens in favor of the Master Trustee;

(u) Liens in favor of banking or other depository institutions arising as a matter of law encumbering the deposits of any Member held in the ordinary course of business by such banking institution (including any right of setoff or statutory bankers' liens) so long as such deposit account is not established or maintained for the purpose of providing such Lien, right of setoff or bankers' lien;

(v) Uniform Commercial Code financing statements filed with the Secretary of State of the State (or such other office maintaining such records) in connection with an operating lease entered into by any Member in the ordinary course of business so long as such financing statement does not evidence the grant of a Lien other than a Permitted Lien;

(w) Rights of tenants under leases or rental agreements pertaining to Property, Plant and Equipment owned by any Member so long as the lease arrangement is in the ordinary course of business of the Member;

(x) Deposits of Property by any Member to meet regulatory requirements for a governmental workers' compensation, unemployment insurance or social security program, other than any Lien imposed by ERISA;

(y) Deposits to secure the performance of another party with respect to a bid, trade contract, statutory obligation, surety bond, appeal bond, performance bond or lease (other than a lease that is treated as Indebtedness under GAAP), and other similar obligations incurred in the ordinary course of business of a Member;

(z) Liens resulting from deposits to secure bids from or the performance of another party with respect to contracts incurred in the ordinary course of business of a Member (other than contracts creating or evidencing an extension of credit to the depositor or otherwise for the payment of Indebtedness);

(aa) present or future zoning laws, ordinances or other laws or regulations restricting the occupancy, use or enjoyment of Property, Plant and Equipment of any Member which, in the aggregate, are not substantial in amount, and which do not in any case materially impair the Fair Market Value or use of such Property, Plant and Equipment for the purposes for which it is used or could reasonably be expected to be held or used;

(bb) Any Lien on inventory that does not exceed 25% of the Value thereof;

(cc) Any Lien on Property due to the rights of third-party payors for recoupment of amounts paid to any Credit Group Member;

(dd) Any Lien existing for not more than 10 days after the Credit Group Member shall have received notice thereof; and

(ee) Any other Lien on Property provided that the Value of all Property encumbered by all Liens permitted as described in this clause (ee) does not exceed 30% of the sum of the Value of all Property of the Credit Group Members (excluding the Value of Property that is Deed of Trust Property), calculated at the time of creation of such Lien.

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

"*Primary Obligor*" means the Person who is primarily obligated on an obligation which is guaranteed by another Person.

"*Projected Debt Service Coverage Ratio*" means, for any future period, the ratio consisting of a numerator equal to the amount determined by dividing the projected Income Available for Debt Service for that period by the Maximum Annual Debt Service for the Long-Term Indebtedness expected to be outstanding during such period and a denominator of one.

"*Property*" means any and all rights, titles and interests in and to any and all assets of any Credit Group Member, whether real or personal, tangible or intangible and wherever situated, other than donor restricted funds as determined in accordance with GAAP. For purposes of performing certain calculations under the Master Indenture, the Credit Group Representative may treat "total assets" as shown on the Credit Group's audited financial statements as the Book Value of the Credit Group's Property.

"*Property, Plant and Equipment*" means all Property of any Credit Group Member which is considered property, plant and equipment of such Credit Group Member under GAAP.

"*Qualified Provider*" means any financial institution or insurance company or corporation which is a party to a Financial Products Agreement if (i) the unsecured long-term debt obligations of such provider (or of the parent or a subsidiary of such provider if such parent or subsidiary guarantees or otherwise assures the performance of such provider under such Financial Products Agreement), or (ii) obligations secured or supported by a letter of credit,

contract, guarantee, agreement, insurance policy or surety bond issued by such provider (or such guarantor or assuring parent or subsidiary), are rated in one of the three highest Rating Categories of a Rating Agency at the time of the execution and delivery of the Financial Products Agreement.

"*Rating Agency*" means Fitch Inc., Moody's Investors Service, Inc., Standard & Poor's, a division of The McGraw-Hill Companies, and any other national rating agency then rating Master Indenture Obligations or Related Bonds.

"*Rating Category"* means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier, outlook or otherwise.

"*Related Bonds*" means the revenue bonds or other obligations (including, without limitation, certificates of participation) issued by any Government Issuer, the proceeds of which are loaned or otherwise made available to a Credit Group Member in consideration of the execution, authentication and delivery of a Master Indenture Obligation or Master Indenture Obligations to or for the order of such Government Issuer.

"*Related Bond Indenture*" means any indenture, bond resolution, trust agreement or other comparable instrument pursuant to which a series of Related Bonds are issued.

"*Related Bond Issuer*" means the Government Issuer of any issue of Related Bonds.

"*Related Bond Trustee*" means the trustee and its successors in the trusts created under any Related Bond Indenture, and if there is no such trustee, means the Related Bond Issuer.

"*Related Supplement*" means an indenture supplemental to, and authorized and executed pursuant to the terms of, the Master Indenture.

"*Required Payment*" means any payment, whether at maturity, by acceleration, upon proceeding for redemption or otherwise, including without limitation, Financial Product Payments, Financial Product Extraordinary Payments and the purchase price of Related Bonds tendered or deemed tendered for purchase pursuant to the terms of a Related Bond Indenture, required to be made by any Obligated Group Member pursuant to any Related Supplement or any Master Indenture Obligation.

"*Responsible Officer*" means, with respect to the Master Trustee, any managing director, any vice president, any assistant vice president, any assistant secretary, any assistant treasurer or any other officer of the Master Trustee customarily performing functions similar to those performed by the persons above designated or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Master Indenture.

"*Restricted Money*" means the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to an object or purpose inconsistent with their use for the payment of Required Payments.

"*SCCA*" means Seattle Cancer Care Alliance, a Washington nonprofit corporation.

"*Short-Term Indebtedness*" means all Indebtedness having an original maturity less than or equal to one year and not renewable at the option of a Credit Group Member for a term greater than one year from the date of original incurrence or issuance unless, in the case of Indebtedness with a maturity or renewable at the option of a Credit Group Member with a term greater than one year, by the terms of such Indebtedness, no Indebtedness is permitted to be Outstanding thereunder for a period of at least 20 consecutive days during each calendar year. For purposes of this definition, (i) only the stated maturity of Indebtedness (and not any tender or put right of the holder of such Indebtedness) shall be taken into account in determining if such Indebtedness constitutes Short-Term Indebtedness hereunder and (ii) classification of Indebtedness as current or short-term under GAAP shall not be controlling.

"*SIFMA Index*" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or any Person acting in cooperation with or under the sponsorship of SIFMA or if such index is no longer available "SIFMA Index" shall refer to a comparable index certified as being comparable by the Credit Group Representative.

"*State*" means the State of Washington.

"*Subordinated Indebtedness*" means Long-Term Indebtedness specifically subordinated as to payment and security to the payment of all Required Payments and other obligations of the Credit Group Members under the Master Indenture and evidenced by an instrument containing the provisions set forth in Appendix B to the Master Indenture.

"*Supplemental Indenture No. 1*" means that certain Supplemental Master Indenture No. 1, between SCCA and the Master Trustee, pursuant to which Obligation No. 1 is issued.

"*Surviving Entity*" has the meaning set forth in "THE MASTER INDENTURE – Merger, Consolidation, Sale or Conveyance."

"*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 and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws from time to time in effect.

"*Total Revenues*" means, for the period of calculation in question, the sum of operating revenue (including net patient service revenue, premium revenue and other revenue and nonoperating gains (losses), as shown on the Credit Group Financial Statements for the most recent Fiscal Year.

"*Transaction Test*" means, with respect to any specified transaction, that no Event of Default or Default then exists and, following such transaction, the Credit Group could satisfy the conditions for the issuance of $1.00 of additional Long-Term Indebtedness set forth under the heading "THE MASTER INDENTURE – Limitation on Additional Indebtedness."

"*UCC*" means the Uniform Commercial Code of the State, as amended from time to time.

"*Value*" when used with respect to Property, means the aggregate value of all such Property, with each component of such Property valued, at the option of the Credit Group Representative, at either its Fair Market Value or its Book Value.

THE MASTER INDENTURE

The following is a summary of certain provisions of the Master Indenture. This summary does not purport to be complete or definitive and reference is made to the Master Indenture for the complete terms thereof.

General

The Master Indenture authorizes the issuance of Master Indenture Obligations by the Obligated Group, which shall be secured by a lien on the Deed of Trust Property by way of the Deed of Trust and the Gross Receivables of each Obligated Group Member. The following are summaries of certain provisions of the Master Indenture. Other provisions are summarized in this Official Statement under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authorization, Issuance and Amount of Master Indenture Obligations

The Master Indenture governs the terms and conditions of Master Indenture Obligations issued under the Master Indenture. It provides that each Obligated Group Member authorizes Master Indenture Obligations or Series of Master Indenture Obligations, to be issued from time to time, without limitation as to amount, except as provided in the Master Indenture or as may be limited by law, and subject to the terms, conditions and limitations established in the Master Indenture and in any Related Supplement.

From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the Master Indenture or in a Related Supplement, the Credit Group Representative may authorize the issuance of a Master Indenture Obligation or a Series of Master Indenture Obligations by entering into a Related Supplement. The Master Indenture Obligation or the Master Indenture Obligations of any such Series may be issued and delivered to the Master Trustee for authentication upon compliance with the provisions of the Master Indenture and of any Related Supplement.

Payment of Master Indenture Obligations; Performance of Covenants

Each Obligated Group Member jointly and severally covenants, to promptly pay, or cause to be paid, all Required Payments at the place, on or before the dates and in the manner provided in the Master Indenture, or in any Related Supplement or Master Indenture Obligation. Each Obligated Group Member acknowledges that the time of such payment and performance is of the essence of the Master Indenture Obligations under the Master Indenture. Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of the Master Indenture, any Related Supplement and any Master Indenture Obligation.

Entrance Into the Obligated Group

Additional Obligated Group Members may be added to the Obligated Group from time to time, provided that prior to such addition the Master Trustee receives:

(a) a copy of a resolution of the Governing Body of the proposed new Obligated Group Member which authorizes the execution and delivery of a Related Supplement and compliance with the terms of the Master Indenture; and

(b) a Related Supplement executed by the Credit Group Representative, the new Obligated Group Member and the Master Trustee pursuant to which the proposed new Obligated Group Member

(1) agrees to become an Obligated Group Member, and

(2) agrees to be bound by the terms of the Master Indenture, the Related Supplements and the Master Indenture Obligations, and

(3) irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants to the Credit Group Representative the requisite power and authority to execute Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations and to execute and deliver Master Indenture Obligations, and

(c) an Opinion of Counsel in form and substance reasonably satisfactory to the Master Trustee to the effect that (i) the proposed new Obligated Group Member has taken all necessary action to become an Obligated Group Member, and upon execution of the Related Supplement, such proposed new Obligated Group Member will be bound by the terms of the Master Indenture, (ii) the addition of such Obligated Group Member would not adversely affect the validity of any Master Indenture Obligation then Outstanding and (iii) the addition of such Obligated Group Member will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or qualification under the Trust Indenture Act of 1939, as amended (or, that any such registration or qualification, if required, has occurred); and

(d) an Officer's Certificate to the effect that immediately after the addition of the proposed new Obligated Group Member, the Transaction Test would be satisfied; and

(e) so long as any Related Bonds that are tax-exempt obligations are Outstanding, an Opinion of Bond Counsel in form and substance reasonably satisfactory to the Master Trustee, to the effect that the addition of the proposed new Obligated Group Member (1) will not, in and of itself, result in the inclusion of interest on any Related Bonds in gross income for purposes of federal income taxation; and (2) will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or qualification under the Trust Indenture Act of 1939, as amended (or, that any such registration or qualification, if required, has occurred).

Withdrawal from the Obligated Group

Any Obligated Group Member may withdraw from the Obligated Group and be released from further liability or obligation under the provisions of the Master Indenture, and any Obligated Group Member may be redesignated as a Designated Affiliate, provided that prior to such withdrawal or redesignation the Master Trustee receives:

(a) an Officer's Certificate to the effect that the Credit Group Representative has approved the withdrawal of such Obligated Group Member (and, if applicable, redesignation of such Obligated Group Member as a Designated Affiliate);

(b) an Officer's Certificate to the effect that immediately following the withdrawal of such Obligated Group Member, the Transaction Test would be satisfied; and

(c) an Opinion of Counsel in form and substance reasonably satisfactory to the Master Trustee to the effect that (i) the withdrawal (or redesignation) of such Obligated Group Member would not adversely affect the validity of any Master Indenture Obligation then Outstanding and (ii) the withdrawal (or redesignation) of such Obligated Group Member will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or qualification under the Trust Indenture Act of 1939, as amended (or, that any such registration or qualification, if required, has occurred).

Credit Group Representative

Each Obligated Group Member, by becoming an Obligated Group Member, irrevocably appoints the Credit Group Representative as its agent and attorney-in-fact and grants full power to the Credit Group Representative to execute (a) Related Supplements authorizing the issuance of Master Indenture Obligations or Series of Master Indenture Obligations and (b) Master Indenture Obligations.

Designation of Designated Affiliates

The Credit Group Representative by resolution of its Governing Body may from time to time designate Persons as Designated Affiliates. In connection with such designation, the Credit Group Representative must designate for each Designated Affiliate an Obligated Group Member to serve as the Controlling Member for such Designated Affiliate. The Credit Group Representative will at all times maintain an accurate and complete list of all Persons designated as Designated Affiliates (and of the Controlling Members for such Designated Affiliates) and file such list with the Master Trustee and any Related Bond Issuer that requests such list in writing annually on or before July 1 of each year.

Each Controlling Member shall cause each of its Designated Affiliates to provide to the Credit Group Representative a resolution of its Governing Body accepting such Person's designation as a Designated Affiliate and acknowledging the provisions of the Master Indenture which affect the Designated Affiliates. So long as such Person is designated as a Designated Affiliate, the Controlling Member of such Designated Affiliate shall either (i) maintain, directly or indirectly, control of such Designated Affiliate to the extent necessary to cause such Designated Affiliate to comply with the terms of the Master Indenture, whether through the ownership of voting

securities, by contract, corporate membership, reserved powers or the power to appoint corporate members, trustees or directors, or otherwise or (ii) execute and have in effect such contracts or other agreements which the Credit Group Representative and the Controlling Member, in the judgment of their respective Governing Bodies, deem sufficient for the Controlling Member to cause such Designated Affiliate to comply with the terms of the Master Indenture.

Each Controlling Member covenants and agrees in the Master Indenture that it will cause each of its Designated Affiliates to comply with any and all directives of the Controlling Member given pursuant to the provisions of the Master Indenture.

Any Person may cease to be a Designated Affiliate (and thus not subject to the terms of the Master Indenture) provided that prior to such Person ceasing to be a Designated Affiliate the Master Trustee receives: (i) a resolution of the Governing Body of the Credit Group Representative declaring such Person no longer a Designated Affiliate; and (ii) an Officer's Certificate to the effect that immediately following such Person ceasing to be a Designated Affiliate neither a Default nor an Event of Default would exist.

Transfers from Designated Affiliates

Each Controlling Member covenants and agrees in the Master Indenture that it shall cause each of its Designated Affiliates to pay, loan or otherwise transfer to the Credit Group Representative such amounts as are necessary to enable the Obligated Group Members to comply with the provisions of the Master Indenture including without limitation the provisions regarding payment of Required Payments; provided, however, that nothing in the Master Indenture shall be construed to require any Controlling Member to cause its Designated Affiliate to pay, loan or otherwise transfer to the Credit Group Representative any amounts that constitute Restricted Money.

Preservation of Corporation Existence, Maintenance of Properties, Etc.

Each Obligated Group Member agrees under the Master Indenture, and each Controlling Member agrees to cause each of its Designated Affiliates:

(a) Except as otherwise expressly provided in the Master Indenture, to preserve its corporate or other legal existence and all of its rights and licenses to the extent necessary or desirable in the operation of its business and affairs and to be qualified to do business in each jurisdiction where its ownership of Property or the conduct of its business requires such qualification; provided, however, that nothing contained in the Master Indenture shall be construed to obligate it to retain or preserve any of its rights or licenses no longer used or, in the judgment of its Governing Body, useful in the conduct of its business or affairs.

(b) At all times to cause its Property, Plant and Equipment to be maintained, preserved and kept in good repair, working order and condition, reasonable wear and tear excepted, and all needed and proper repairs, renewals and replacements thereof to be made; provided, however, that nothing contained in this subsection shall be construed to (i) prevent it from ceasing to operate any immaterial portion of its Property, Plant and Equipment, (ii) prevent it from ceasing to operate any material portion of its Property, Plant and Equipment if in its judgment it is advisable not to operate the same, and within a reasonable time endeavors to effect disposition of such material portion of its Property, Plant and Equipment, or (iii) obligate it to retain, preserve, repair, renew or replace any Property, Plant and Equipment no longer used or, in the judgment of its Governing Body, useful in the conduct of its business.

(c) To do all things reasonably necessary to conduct its affairs and carry on its business or affairs and operations in such manner as to comply in all material respects with any and all applicable laws of the United States and the several states thereof and to duly observe and conform in all material respects to all valid orders, regulations or requirements of any governmental authority relative to the conduct of its business or affairs and the ownership of its Property; provided, however, that nothing contained in the Master Indenture shall require it to comply with, observe and conform to any such law, order, regulation or requirement of any governmental authority so long as the validity thereof or the applicability thereof to it shall be contested in good faith.

(d) To pay promptly when due (i) all lawful taxes, governmental charges and assessments at any time levied or assessed upon or against it or its Property, including, but not limited to, all sales, use, occupation, real and personal property taxes, all permit and inspection fees, occupation and license fees and all water, gas, electric, light, power or other utility charges assessed or charged on or against its Property or on account of its use or occupancy thereof or the activities conducted thereon or therein, and (ii) all taxes, assessments and impositions, general and special, ordinary and extraordinary, of every name and kind, which shall be taxed, levied, imposed or assessed during the term of the Master Indenture upon its interest or the interest of any Related Bond Trustee or the interest of any Related Bond Issuer in the Master Indenture or the amounts payable thereunder or under the Master Indenture Obligations; provided, however, that it shall have the right to contest in good faith any of the foregoing or the collection of any such sums and pending the final outcome of such contest may delay or defer payment thereof. If, under applicable law, any such tax, levy, charge, fee, rate, imposition or assessment may at the option of the taxpayer be paid in installments, any Member of the Credit Group may exercise such option.

(e) To pay promptly or otherwise satisfy and discharge all of its Indebtedness and all demands and claims against it as and when the same become due and payable other than any thereof (exclusive of Master Indenture Obligations Outstanding under the Master Indenture) whose validity, amount or collectability is being contested in good faith.

(f) At all times to comply in all material respects with all terms, covenants and provisions of any Liens at such time existing upon its Property or any part thereof or securing any of its Indebtedness unless noncompliance is waived by the holder of such Lien.

(g) To procure and maintain all necessary licenses and permits pertaining to all its health care Property and the status of its health care Property (other than that not currently having such status or not having such status on the date a Person becomes a Member of the Credit Group) as providers of health care services eligible for payment under those third party payment programs which its Governing Body determines are appropriate; provided, however, that it need not comply with the provisions of this paragraph if and to the extent that its Governing Body shall have determined in good faith, evidenced by a resolution of the Governing Body, that such compliance is not in its best interests and that lack of such compliance would not materially impair its ability to pay its Indebtedness when due.

(h) Not to take any action or suffer any action to be taken by others, including any action which would result in the alteration or loss of its status as a Tax Exempt Organization, which, or fail to take any action which failure, in the Opinion of Bond Counsel, would adversely affect the exclusion of interest on any Related Bond from gross income for federal income tax purposes. The foregoing notwithstanding, any Member of the Credit Group that is a Tax-Exempt Organization may take actions which could result in the alteration or loss of its status as a Tax Exempt Organization if (i) prior thereto there is delivered to the Master Trustee an Opinion of Bond Counsel to the effect that such action would not adversely affect the validity of any Related Bond, would not adversely affect the exclusion of interest on any Related Bond from gross income for federal income tax purposes and would not adversely affect the enforceability in accordance with its terms of the Master Indenture against any Member of the Credit Group and (ii) prior thereto there is delivered to the Master Trustee either (A) an Opinion of Counsel for such Member of the Credit Group to the effect that such actions would not subject any Related Bond or any Master Indenture Obligation to registration under the Securities Act of 1933, as amended, or any state securities law, or require the qualification of any Related Bond Indenture, loan document or the Master Indenture or any Related Supplement under the Trust Indenture Act of 1939, as amended ,or any state securities law, or (B) an Opinion of Counsel that such Related Bond or Master Indenture Obligation has been so registered and such Related Bond Indenture, loan document or Master Indenture or Related Supplement has been so qualified.

(i) To operate its Property so as not to discriminate on a legally impermissible basis.

Limitations on Encumbrances

Each Obligated Group Member agrees under the Master Indenture that it will not, and each Controlling Member covenants that it will not permit any of its Designated Affiliates to, create or suffer to be created or permit the existence of any Lien upon Property now owned or hereafter acquired by it other than Permitted Liens. Each Obligated Group Member, respectively, further covenants and agrees that if such a Lien is nonetheless created by

someone other than an Obligated Group Member or a Designated Affiliate and is assumed by any Obligated Group Member or Designated Affiliate, the Credit Group Representative will make or cause to be made effective a provision whereby all Master Indenture Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien.

Upon written request of the Credit Group Representative, the Master Trustee shall execute and deliver such releases, subordinations, requests for reconveyance, termination statements or other instruments as may be reasonably requested by the Credit Group Representative in connection with (1) the disposition of Property in accordance with the provisions of the Master Indenture summarized under "THE MASTER INDENTURE – Limitations on Dispositions of Assets," the Deed of Trust and the applicable provisions of any Related Supplement, (2) the withdrawal of a Member pursuant to the provisions of the Master Indenture summarized under "THE MASTER INDENTURE – Withdrawal from Obligated Group" and the applicable provisions of any Related Supplement and (3) the granting by a Credit Group Member of any Lien which constitutes a Permitted Lien hereunder, as certified to the Master Trustee in writing by the Credit Group Representative; provided that the lien of the Deed of Trust on the portion of the Deed of Trust Property constituting real property and fixtures shall not be released or subordinated to any lien or security interest securing Indebtedness for borrowed money or credit extended or any Financial Product Agreement.

Debt Coverage

(a) Each Obligated Group Member agrees under the Master Indenture to manage its business such that the combined or consolidated Income Available for Debt Service for the Credit Group, calculated at the end of each Fiscal Year, commencing with the first full Fiscal Year following the execution of the Master Indenture, will not be less than 1.10 times the Maximum Annual Debt Service.

(b) If for any Fiscal Year the Income Available for Debt Service is not sufficient to satisfy subsection (a) above, the Credit Group Representative covenants to retain an Independent Consultant to make recommendations to increase Income Available for Debt Service in the following Fiscal Year to the level required or, if in the opinion of the Independent Consultant the attainment of such level is impracticable, to the highest level attainable. The Credit Group Representative agrees that within 10 days following receipt of such recommendations, a copy thereof will be transmitted to the Master Trustee and the Related Bond Issuers. Each Obligated Group member agrees to consider any recommendations of the Independent Consultant and will be obligated to implement such recommendations to the extent such recommendations are feasible.

(c) If a report of an Independent Consultant is delivered to the Master Trustee and the Related Bond Issuers, which report states that Government Restrictions have been imposed which make it impossible for the Income Available for Debt Service to satisfy the requirement of subsection (a) above, then the required amount of Income Available for Debt Service will be reduced to the maximum coverage permitted by such Government Restrictions but in no event less than an amount to pay the debt service on all Indebtedness of the Credit Group for such Fiscal Year.

(d) The provisions of the Master Indenture summarized under this heading shall not be construed as prohibiting any Credit Group Member which is a Tax Exempt Organization from providing indigent care at reduced or no cost to the extent required to maintain the status of such entity as a Tax Exempt Organization.

Merger, Consolidation, Sale or Conveyance

Each Obligated Group Member covenants that it will not merge or consolidate with any other Person that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member (a "Merger Transaction") unless:

(a) After giving effect to the Merger Transaction,

(i) the successor or surviving entity (hereinafter, the "Surviving Entity") is an Obligated Group Member, or

(ii) the Surviving Entity will

(A) be a corporation or a political subdivision organized and existing under the laws of the United States of America or any state thereof, and

(B) become an Obligated Group Member pursuant to the provisions of the Master Indenture and, pursuant to the Related Supplement required by the Master Indenture as described under the heading "Entrance Into the Obligated Group" above, shall expressly assume in writing the due and punctual payment of all Required Payments of the disappearing Obligated Group Member under the Master Indenture; and

(b) The Master Trustee receives an Officer's Certificate to the effect that the Transaction Test is satisfied in connection with the Merger Transaction;

(c) So long as any Related Bonds that are tax-exempt obligations are Outstanding, the Master Trustee receives an Opinion of Bond Counsel, in form and substance reasonably satisfactory to the Master Trustee, to the effect that, under then existing law, the consummation of the Merger Transaction, in and of itself, would not result in the inclusion of interest on such Related Bonds in gross income for purposes of federal income taxation; and

(d) The Master Trustee receives an Opinion of Counsel, in form and substance reasonably satisfactory to the Master Trustee, to the effect that (i) all conditions in the Master Indenture, and summarized under this heading, relating to the Merger Transaction have been complied with and the Master Trustee is authorized to join in the execution of any instrument required to be executed and delivered; (ii) the Surviving Entity meets the conditions set forth in the Master Indenture, and summarized under this heading, and all Master Indenture Obligations then Outstanding; (iii) the Merger Transaction will not adversely affect the validity of any Master Indenture Obligations then Outstanding and the Master Indenture Obligations then Outstanding are enforceable against the Surviving Entity in accordance with their respective terms; and (iv) the Merger Transaction will not cause the Master Indenture or any Master Indenture Obligations to be subject to registration under federal or state securities laws or qualification under the Trust Indenture Act of 1939, as amended (or, that any such registration or qualification, if required, has occurred); and

(e) The Surviving Entity will be substituted for its predecessor in interest in all Master Indenture Obligations and agreements then in effect which affect or relate to any Master Indenture Obligation, and the Surviving Entity will execute and deliver to the Master Trustee appropriate documents in order to effect the substitution.

From and after the effective date of such substitution (as set forth in the above-mentioned documents), the Surviving Entity will be treated as though it were an Obligated Group Member as of the date of the execution of the Master Indenture and shall thereafter have the right to participate in transactions under the Master Indenture relating to Master Indenture Obligations to the same extent as the other Obligated Group Members. All Master Indenture Obligations issued under the Master Indenture on behalf of a Surviving Entity will have the same legal rank and benefit under the Master Indenture as Master Indenture Obligations issued on behalf of any other Obligated Group Member.

Limitations on Dispositions of Assets

Each Obligated Group Member covenants that it will not, and each Controlling Member agrees under the Master Indenture that it will not permit its Designated Affiliates to, sell, lease or otherwise dispose of any part of its Property in any Fiscal Year (other than (A) in the ordinary course of business, (B) as part of a disposition of all or substantially all of its assets as permitted by the Master Indenture, or (C) to another Member), with a net Book Value in excess of 10% of the net Book Value of the Property of the Credit Group, unless prior to said disposition:

(a) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that such Property is inadequate, obsolete, unsuitable, undesirable or unnecessary for the operation and functioning of the primary business of the Credit Group Members; or

(b) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the disposition is for Fair Market Value and such disposition will not impair the structural soundness of the remaining Property and does not materially adversely affect the operations of the Credit Group; or

(c) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that the disposition is of Property consisting solely of assets which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with their use for payment on the Master Indenture Obligations; or

(d) there shall have been delivered to the Master Trustee an Officer's Certificate to the effect that (A) the Transaction Test is satisfied; (B) the Liquidity Test is satisfied; and (C) the Member does not reasonably expect at the time of such disposition that the disposition would result in a reduction of the Income Available for Debt Service of the Obligated Group such that the Obligated Group would be required to retain an Independent Consultant pursuant to the provisions of the Master Indenture.

Limitation on Indebtedness

Each Obligated Group Member covenants that it will not, and each Controlling Member covenants that it will not permit its Designated Affiliates to, incur any Indebtedness except that the Obligated Group Members and Designated Affiliates may incur the following Indebtedness:

(a) Long-Term Indebtedness, if prior to the date of incurrence of the Long-Term Indebtedness there is delivered to the Master Trustee an Officer's Certificate to the effect that:

(i) the Debt Service Coverage Ratio for each of the two most recent Fiscal Years with respect to all Long-Term Indebtedness then Outstanding at the time of such certification and the additional Long-Term Indebtedness to be incurred, but excluding any Long-Term Indebtedness to be refunded with the proceeds of said additional Long-Term Indebtedness to be incurred, was not less than 1.25:1.00; or

(ii) (A) the Debt Service Coverage Ratio for each of the two most recent Fiscal Years was not less than 1.25:1.0; and (B) (1) a written Independent Consultant's report (which report, including without limitation the scope, form, substance and other aspects thereof is acceptable to the Master Trustee) to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of facilities, the two Fiscal Years succeeding the projected completion date of such facilities, is not less than 1.25:1, or (2) an Officer's Certificate from the Obligated Group Agent in a form acceptable to the Master Trustee to the effect that the Projected Debt Service Coverage Ratio of the Obligated Group for each of the next two succeeding Fiscal Years or, if such Indebtedness is being incurred in connection with the financing of facilities, the two Fiscal Years succeeding the projected completion date of such facilities, is not less than 1.35:1, provided that either of such reports must include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for each of such two Fiscal Years and a statement of the relevant assumptions upon which such forecasted statements are based, which financial statements must indicate that sufficient revenues and cash flow could be generated to pay the operating expenses of the Obligated Group's proposed and existing facilities and the debt service on the Obligated Group's other existing Indebtedness during such two Fiscal Years; provided that the requirements of the foregoing subsection (ii)(A) or (B), as the case may be, will be deemed satisfied if (x) there is delivered to the Master Trustee the report of a Independent Consultant (which report, including without limitation the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee and which contains the information required by the proviso to subsection (ii)(B) in the case of projections) which contains an opinion of such Independent Consultant that applicable laws or regulations have prevented or will prevent the Obligated Group from generating the amount of Income Available for Debt Service required to be generated by subsection (ii)(A) or (B), as the case may be, as a prerequisite to the issuance of Long-Term Indebtedness, and, unless waived by the Master Trustee, such report is accompanied by a concurring opinion of independent counsel (which counsel and opinion, including without limitation the scope, form, substance and other aspects thereof, are acceptable to the Master Trustee) as to any conclusions of law supporting the opinion of such Independent Consultant, (y) the report of the Independent Consultant indicates that the rates charged or to be charged by the Obligated Group are or will be such that, in the opinion of such Independent Consultant, the Obligated Group has generated or will generate the maximum amount of revenues reasonably practicable given such laws or regulations, and (z) the Debt Service Coverage Ratio of the

Obligated Group and the Projected Debt Service Coverage Ratio of the Obligated Group referred to in the applicable subsection are at least 1.00:1.

(b) Completion Indebtedness; provided that the Master Trustee receives an Officer's Certificate to the effect that the issuance of such Completion Indebtedness would not increase Maximum Annual Debt Service by more than 15%, calculated without regard to clause (d) of the definition of Maximum Annual Debt Service.

(c) Short-term Indebtedness provided that the provisions described in subsection (a) above would be satisfied if such Short-term Indebtedness were treated as Long-Term Indebtedness or an Officer's Certificate is delivered to the Master Trustee stating that:

(i) the total amount of such Short-term Indebtedness shall not exceed 15% of Total Revenues; and

(ii) the total amount of such Short-term Indebtedness and Indebtedness incurred pursuant to the provision described below in clause (g) below then Outstanding shall not exceed 25% of Total Revenues; and

(iii) In every Fiscal Year, there shall be at least a consecutive 20 day period when the balances of such Short-term Indebtedness is reduced to an amount which shall not exceed three percent of Total Revenues.

(d) Nonrecourse Indebtedness, provided that an Officer's Certificate is delivered to the Master Trustee stating that the proceeds of Nonrecourse Indebtedness shall not be used to acquire or construct facilities which replace existing facilities of the Credit Group Members which generated more than 10% of Total Revenues.

(e) Long-Term Indebtedness, if such Long-Term Indebtedness is issued to refund Long-Term Indebtedness and the Master Trustee receive an Officer's Certificate to the effect that the issuance of such Long-Term Indebtedness would not increase Maximum Annual Debt Service by more than 10%.

(f) Subordinated Indebtedness, without limitation.

(g) Any other Indebtedness, provided that an Officer's Certificate is delivered to the Master Trustee stating that the aggregate principal amount of such Indebtedness, together with the aggregate principal amount of Indebtedness incurred pursuant to the provisions of paragraph (c) above, does not, as of the date of incurrence, exceed 25% of Total Revenues.

Filing of Financial Statements, Certification of No Default and Other Information

Each Obligated Group Member covenants and agrees under the Master Indenture that it will keep adequate records and books of accounts in which complete and correct entries shall be made (said books will be subject to inspection of the Master Trustee during regular business hours after reasonable notice and under reasonable circumstances).

The Credit Group Representative covenants that it will furnish to the Master Trustee and any Related Bond Issuer that shall request the same in writing:

(a) As soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ending June 30, 2009, one or more financial statements which, in the aggregate, shall include the Material Credit Group Members. Such financial statements:

(i) may consist of (1) consolidated or combined financial results including one or more Credit Group Members and one or more other Persons required to be consolidated or combined with such Credit Group Member(s) under GAAP or (2) special purpose financial statements including only Credit Group Members;

(ii) must be audited by an Accountant as having been prepared in accordance with GAAP (except, in the case of special purpose financial statements, for required consolidations);

(iii) must include a consolidated or combined balance sheet, statement of operations and changes in net assets; and

(iv) if more than one financial statement is delivered to the Master Trustee pursuant to this paragraph (a), or if a single financial statement is delivered that includes Persons other than Credit Group Members and Immaterial Affiliates, each such financial statement shall contain, as "other financial information," a combining or consolidating schedule from which financial information solely relating to the Credit Group Members and Immaterial Affiliates may be derived.

(b) (i) If a single financial statement containing information solely related to the Credit Group Members (which may, but need not, include any Immaterial Affiliates) is delivered pursuant to (a) above, such financial statement shall constitute the "Credit Group Financial Statements."

(ii) If a single financial statement containing information related solely to the Credit Group Members and, at the option of the Credit Group Representative, any Immaterial Affiliates is not delivered pursuant to clause (a) above, the Credit Group Representative shall prepare an unaudited balance sheet and statement of operations for such Fiscal Year. The unaudited financial statements shall be prepared as soon as practicable, but in no event more than 150 days after the last day of each Fiscal Year beginning with the Fiscal Year ending June 30, 2009, and shall be based on the accompanying unaudited combining or consolidating schedules delivered with the audited financial statements described in clause (a)(iv) above. The unaudited financial statements prepared in accordance with this clause (b)(ii) shall be the "Credit Group Financial Statements."

(iii) The Credit Group Financial Statements:

(A) must include all Material Credit Group Members;

(B) at the option of the Credit Group Representative, may, but need not, include one or more Immaterial Affiliates as provided in clause (C) below;

(C) at the option of the Credit Group Representative, may exclude one or more Credit Group Members that are not Material Credit Group Members; and

(D) shall exclude all combined or consolidated entities that are neither Credit Group Members nor Immaterial Affiliates.

(c) At the time of the delivery of the Credit Group Financial Statements, a certificate of the chief financial officer of the Credit Group Representative, stating that no event which constitutes an Event of Default has occurred and is continuing as of the end of such Fiscal Year, or specifying the nature of such event and the actions taken and proposed to be taken by the Members to cure such Event of Default.

Notwithstanding the foregoing, the results of operation and financial position of Immaterial Affiliates need not be excluded from financial statements delivered to the Master Trustee pursuant to the provisions of the Master Indenture summarized under this heading, and such results of operation and financial position may be considered as if they were a portion of the results of operation and financial position of the Credit Group Members for all purposes of the Master Indenture notwithstanding the inclusion of the results of operation and financial position of such Immaterial Affiliates.

Insurance Required

Each Obligated Group Member, respectively, covenants and agrees that it will keep, and each Controlling Member agrees that it will cause its Designated Affiliates to keep, the Property, Plant and Equipment and all of its operations adequately insured at all times and carry and maintain such insurance in amounts which are customarily carried,

subject to customary deductibles, and against such risks as are customarily insured against by other health care institutions in connection with the ownership and operation of health facilities of similar character and size in the State of Washington.

The Credit Group Representative is to employ an Insurance Consultant at least once every two years to review the insurance requirements (including alternative risk management programs and self-insurance programs) of the Credit Group Members. If the Insurance Consultant makes recommendations for a change in the insurance coverage then maintained by a Member of the Credit Group, the Credit Group Members shall change, and each Controlling Member shall cause its Designated Affiliates to change, such coverage in accordance with such recommendations, subject to a good faith determination of the Governing Body of the Credit Group Representative that such recommendations, in whole or in part, are not in the best interests of the Credit Group Members. In lieu of maintaining insurance coverage which the Credit Group Representative deems necessary, the Credit Group Members have the right to adopt alternative risk management programs which the Credit Group Representative determines to be reasonable and which shall not have a material adverse impact on reimbursement from third-party payers, including, without limitation, to self-insure in whole or in part individually or in connection with other institutions, to participate in programs of captive insurance companies, to participate with other health care institutions in mutual or other cooperative insurance or other risk management programs, to participate in state or federal insurance programs, to take advantage of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or to establish or participate in other alternative risk management programs; all as may be approved, in writing, as reasonable and appropriate risk management by the Insurance Consultant.

Notwithstanding the foregoing, the Credit Group Members have the right, without giving rise to an Event of Default, (1) to maintain insurance coverage below that required by the first paragraph under this subheading, if the Credit Group Representative furnishes to the Master Trustee a certificate of the Insurance Consultant that the insurance so provided accords the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Consultant are reasonable in connection with reasonable and appropriate risk management, or (2) to adopt alternative risk management and self-insurance programs described above.

Events of Default

Each of the following events shall be an Event of Default under the Master Indenture:

(a) Failure on the part of the Obligated Group Members to make due and punctual payment of the principal of, redemption premium, if any, interest on or any other Required Payment on any Master Indenture Obligation.

(b) Any Obligated Group Member shall fail to observe or perform any other covenant or agreement under the Master Indenture (including covenants or agreements contained in any Related Supplement or Master Indenture Obligation) and shall not have cured such failure within 60 days after the date on which written notice of such failure, requiring the failure to be remedied, shall have been given to the Credit Group Representative by the Master Trustee or to the Credit Group Representative and the Master Trustee by the Holders of not less than 25% in aggregate principal amount of Outstanding Master Indenture Obligations (provided that if such failure can be remedied but not within such 60 day period, such failure will not become an Event of Default for so long as the Credit Group Representative diligently proceeds to remedy the failure).

(c) Any Credit Group Member shall default in the payment of Indebtedness (other than (1) Subordinated Indebtedness, (2) Nonrecourse Indebtedness, and (3) Indebtedness secured by a Master Indenture Obligation, which shall be governed by subsection (a) above) in an aggregate outstanding principal amount equal to the greater of $1,000,000 or one percent of the aggregate principal amount of all Long-Term Indebtedness of the Obligated Group then Outstanding, and any grace period for such payment shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which such Indebtedness is secured or evidenced, shall occur; provided, however, that such default shall not constitute an Event of Default if, within 60 days or within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, (1) any Credit Group Member in good faith commences proceedings to contest the existence or payment of such Indebtedness, and (2) sufficient money is deposited in escrow with a bank or trust company or a bond acceptable to the Master Trustee is posted for the payment of such Indebtedness.

(d) A court having jurisdiction shall enter a decree or order for relief in respect of any Credit Group Member in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of any Credit Group Member or for any substantial part of the Property of any Credit Group Member, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

(e) Any Credit Group Member shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of any Credit Group Member or for any substantial part of its Property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of the foregoing.

(f) An event of default shall exist under any Related Bond Indenture.

(g) An event of default shall exist under any agreement with the insurer of any Related Bonds or Master Indenture Obligations.

The Credit Group Representative agrees under the Master Indenture that, as soon as practicable, and in any event within 10 days after such event, the Credit Group Representative will notify the Master Trustee of any event which is an Event of Default under the Master Indenture which has occurred and is continuing, which notice shall state the nature of such event and the action which the Obligated Group Members propose to take with respect thereto.

Acceleration; Annulment of Acceleration

Upon the occurrence and during the continuation of an Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations or the holder of any Accelerable Instrument under which Accelerable Instrument an event of default exists (which event of default permits the holder thereof to request that the Master Trustee declare such Indebtedness evidenced by an Obligation due and payable prior to the date on which it would otherwise become due and payable), shall, by notice to the Credit Group Representative, declare all Outstanding Master Indenture Obligations immediately due and payable. Upon such declaration of acceleration, all Outstanding Master Indenture Obligations will be immediately due and payable. If the terms of any Related Supplement give a Person the right to consent to acceleration of the Master Indenture Obligations issued pursuant to such Related Supplement, the Master Indenture Obligations issued pursuant to such Related Supplement may not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Related Supplement. In the event of acceleration, an amount equal to the aggregate principal amount of all Outstanding Master Indenture Obligations, plus all interest accrued thereon and, to the extent permitted by applicable law, which accrues on such principal and interest to the date of payment, will be due and payable on the Master Indenture Obligations.

At any time after the Master Indenture Obligations have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default that resulted in the declaration of acceleration, the Master Trustee may annul such declaration and its consequences if:

(a) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee money sufficient to pay) all payments then due on all Outstanding Master Indenture Obligations (other than payments then due only because of such declaration); and

(b) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee money sufficient to pay) all fees and expenses of the Master Trustee then due; and

(c) the Obligated Group Members have paid (or caused to be paid or deposited with the Master Trustee money sufficient to pay) all other amounts then payable by the Obligated Group under the Master Indenture; and

(d) every Event of Default (other than a default in the payment of the principal of or other payment of such Master Indenture Obligations then due only because of such declaration) has been remedied.

No such annulment will extend to or affect any subsequent Event of Default or impair any right with respect to any subsequent Event of Default.

Additional Remedies and Enforcement of Remedies.

Upon the occurrence and continuance of any Event of Default, the Master Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction by the Credit Group for any such request), shall, proceed to protect and enforce its rights and the rights of the Holders under the Master Indenture by such proceedings as the Master Trustee may deem expedient, including but not limited to: (1) enforcement of the right of the Holders to collect amounts due or becoming due under the Master Indenture Obligations; (2) exercise any and all remedies under the Deed of Trust; (3) civil action upon all or any part of the Master Indenture Obligations; (4) civil action to require any Person holding money, documents or other property pledged to secure payment of amounts due or to become due on the Master Indenture Obligations to account as if it were the trustee of an express trust for the Holders of Master Indenture Obligations; (5) civil action to enjoin any acts which may be unlawful or in violation of the rights of the Holders of Master Indenture Obligations; (6) civil action to obtain a writ of mandate against any Obligated Group Member or Controlling Member, or against any officer or member of the Governing Body of any Obligated Group Member or Controlling Member to compel performance of any act specifically required by the Master Indenture or any Master Indenture Obligation; and (7) enforcement of any other right or remedy of the Holders conferred by law or by the Master Indenture.

Regardless of the occurrence of an Event of Default, if requested in writing by the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations (and upon indemnification of the Master Trustee to its satisfaction for such request), the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (1) to prevent any impairment of the security under the Master Indenture by any acts which may be unlawful or in violation of the Master Indenture, or (2) to preserve or protect the interests of the Holders. However, the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not making such request.

Application of Moneys After Default

During the continuance of an Event of Default, all money received by the Master Trustee pursuant to any right given or action taken under the provisions of the Master Indenture (after payment of the costs of the proceedings resulting in the collection of such moneys and payment of all fees, expenses and other amounts owed to the Master Trustee) shall be applied as follows:

(a) Unless all Outstanding Master Indenture Obligations have become or have been declared due and payable (or if any such declaration is annulled in accordance with the terms of the Master Indenture):

First: To the payment of all Required Payments then due on the Master Indenture Obligations (including Financial Product Payments to the extent made pursuant to a Financial Products Agreement secured or evidenced by a Master Indenture Obligation and Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Required Payments due on the same date, then to the payment thereof ratably, according to the amount of Required Payments due on such date, without any discrimination or preference; and

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Products Agreement secured or evidenced by a Master Indenture Obligation (other than Parity Financial Product Extraordinary Payments), in the order of their due dates, and, if the amount available is not sufficient to pay in full all Financial Product Extraordinary Payments due on the same date, then to the payment thereof ratably, according to the amounts of Financial Product Extraordinary Payments due on such date, without any discrimination or preference.

(b) If all Outstanding Master Indenture Obligations have become or have been declared due and payable (and such declaration has not been annulled under the terms of the Master Indenture):

First: To the payment of all Required Payments then due on the Master Indenture Obligations (including (i) Financial Product Payments to the extent made pursuant to a Financial Products Agreement secured or evidenced by a Master Indenture Obligation and (ii) Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full the whole amount then due and unpaid, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

Second: To the payment of all Financial Product Extraordinary Payments made pursuant to a Financial Product Agreement secured or evidenced by a Master Indenture Obligation (other than Parity Financial Product Extraordinary Payments), and, if the amount available is not sufficient to pay in full all such Financial Product Extraordinary Payments, then to the payment thereof ratably, without any discrimination or preference.

Such money shall be applied at such times as the Master Trustee shall determine, having due regard for the amount of money available and the likelihood of additional money becoming available in the future. Upon any date fixed by the Master Trustee for the application of such money to the payment of principal, interest on the amounts of principal to be paid on such date shall cease to accrue. The Master Trustee will give such notices as it may deem appropriate of the deposit with it of such moneys or of the fixing of such dates. The Master Trustee will not be required to make payment to the Holder of any unpaid Master Indenture Obligation until such Master Indenture Obligation (and all unmatured interest coupons, if any) is presented to the Master Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Master Indenture Obligations have been paid under the terms of the Master Indenture and all fees and expenses of the Master Trustee have been paid, any balance remaining will be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to the Members of the Obligated Group or such Person as a court of competent jurisdiction may direct.

Remedies Vested in Master Trustee

All rights of action (including the right to file proof of claims) under the Master Indenture or under any of the Master Indenture Obligations may be enforced by the Master Trustee without the possession of any of the Obligations or the production thereof in any proceeding relating thereto. Any proceeding instituted by the Master Trustee may be brought in its name as the Master Trustee without the necessity of joining any Holders as plaintiffs or defendants. Subject to the provisions of the Master Indenture, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Obligations.

Holders' Control of Proceedings

If an Event of Default has occurred and is continuing, notwithstanding anything in the Master Indenture to the contrary, the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall have the right (upon the indemnification of the Master Trustee to its satisfaction) to direct the method and/or place of conducting any proceeding to be taken in connection with the enforcement of the terms of the Master Indenture. Such direction must be in writing, signed by such Holders and delivered to the Master Trustee. Pending such direction from the Holders of at least a majority in aggregate principal amount of the Master Indenture Obligations Outstanding, such direction may be given in the same manner and with the same effect by the holder of an Accelerable Instrument upon whose request the Master Trustee has accelerated the Obligations pursuant

to the Master Indenture. However, the Master Trustee shall not follow any such direction that is in conflict with any applicable law or the provisions of the Master Indenture or (in the sole judgment of the Master Trustee) is unduly prejudicial to the interests of the Holders not joining in such direction. Nothing described in this paragraph shall impair the right of the Master Trustee to take any other action authorized by the Master Indenture which it may deem proper and which is not inconsistent with such direction by Holders.

Waiver of Event of Default

No delay or omission or the Master Trustee or of any Holder to exercise any right with respect to any Event of Default will impair such right or shall be construed to be a waiver or acquiescence to such Event of Default. The Master Trustee may waive any Event of Default which in its opinion has been remedied before the entry of a final judgment or decree in any proceeding instituted by it under the provisions of the Master Indenture, or before the completion of the enforcement of any other remedy under the Master Indenture. Upon the written request of the Holders of at least a majority in aggregate principal amount of Outstanding Master Indenture Obligations, the Master Trustee shall waive any Event of Default under the Master Indenture and its consequences; provided, however, that, except under the circumstances set forth in the Master Indenture, the failure to pay the principal of, premium, if any, or interest on any Obligation when due may not be waived without the written consent of the Holders of all Outstanding Master Indenture Obligations.

Appointment of Receiver

Upon the occurrence and continuance of any Event of Default, the Master Trustee shall be entitled (a) without declaring the Master Indenture Obligations to be due and payable, (b) after declaring the Master Indenture Obligations to be due and payable, or (c) upon the commencement of any proceeding to enforce any right of the Master Trustee or the Holders, to the appointment of a receiver or receivers of any or all of the Property of the Obligated Group Members (without the necessity of notice to any Obligated Group Member or any other Person), with such powers as the court making such appointment shall confer. Each Obligated Group Member consents under the Master indenture, and will if requested by the Master Trustee, consent at the time of application by the Master Trustee for appointment of a receiver, to the appointment of such receiver and agrees that such receiver may be given the right, to the extent the right may lawfully be given, to take possession of, operate and deal with such Property, and the revenues, profits and proceeds therefrom, with the same effect as the Obligated Group Member could, and to borrow money and issue evidences of indebtedness as such receiver.

Removal and Resignation of the Master Trustee.

The Master Trustee may be removed at any time by an instrument or instruments in writing signed by (1) the Holders of not less than a majority of the principal amount of Outstanding Master Indenture Obligations or (2) (unless an Event of Default has occurred and is then continuing) the Credit Group Representative.

The Master Trustee may at any time resign by giving written notice of such resignation to the Credit Group Representative.

No such resignation or removal shall become effective unless and until a successor Master Trustee has been appointed and has assumed the trusts created by the Master Indenture. Written notice of removal of the predecessor Master Trustee and/or appointment of the successor Master Trustee shall be given by the successor Master Trustee within 10 days of the successor's acceptance of appointment to the Obligated Group Members and to each Holder at the addresses shown on the books of the Master Trustee. A successor Master Trustee may be appointed at the direction of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations, or, if the Master Trustee has resigned or has been removed by the Credit Group Representative, by the Credit Group Representative. In the event a successor Master Trustee has not been appointed and qualified within 60 days of the date notice of resignation or removal is given, the Master Trustee, any Obligated Group Member or any Holder may apply at the expense of the Obligated Group Members to any court of competent jurisdiction for the appointment of an interim successor Master Trustee to act until such time as a permanent successor is appointed.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Master Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business in one or more states of the United States of America and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Supplements and Amendments

Supplements Not Requiring Consent of Holders. The Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee may, without the consent of or notice to any of the Holders, enter into one or more Related Supplements for any of the following purposes: (1) to correct any ambiguity or formal defect or omission in the Master Indenture which does not materially and adversely affect the interests of the Holders; (2) to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provision with respect to matters or questions arising under the Master Indenture and which does not materially and adversely affect the interests of the Holders; (3) to grant or confer ratably upon all of the Holders any additional rights, remedies, powers or authority, or to add to the covenants of and restrictions on the Obligated Group Members; (4) to qualify the Master Indenture under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect; (5) to create and provide for the issuance of a Master Indenture Obligation or Series of Master Indenture Obligations as permitted under the Master Indenture; (6) to obligate a successor to any Obligated Group Member as provided in the Master Indenture; or (7) to add a new Obligated Group Member as provided in the Master Indenture.

Related Supplements Requiring Consent of Obligation Holders. In addition to Related Supplements described in the foregoing paragraph, the Holders of not less than a majority in aggregate principal amount of the Outstanding Obligations shall have the right to consent to and approve the execution by the Credit Group Representative (acting for itself and as agent for each Obligated Group Member) and the Master Trustee of such Related Supplements as shall be deemed necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding any of the terms contained in the Master Indenture; provided, however, that nothing summarized in this paragraph shall permit or be construed as permitting a Related Supplement which would: (1) extend the stated maturity of or time for paying interest on any Master Indenture Obligation or reduce the principal amount of or the redemption premium or rate of interest or method of calculating interest payable on or reduce any other Required Payment on any Master Indenture Obligation without the consent of the Holder of such Master Indenture Obligation; (2) modify, alter, amend, add to or rescind any of the terms or provisions contained in the Master Indenture so as to affect the right of the Holders of any Master Indenture Obligations in default to compel the Master Trustee to declare the principal of all Master Indenture Obligations to be due and payable, without the consent of the Holders of all Outstanding Master Indenture Obligations; or (3) reduce the aggregate principal amount of Outstanding Master Indenture Obligations the consent of the Holders of which is required to authorize such Related Supplement without the consent of the Holders of all Master Indenture Obligations then Outstanding.

The Master Trustee may execute a Related Supplement (in substantially the form delivered to it as described below) without liability or responsibility to any Holder (whether or not such Holder has consented to the execution of such Related Supplement) if the Master Trustee receives: (1) a Request of the Credit Group Representative to enter into such Related Supplement; (2) a certified copy of the resolution of the Governing Body of the Credit Group Representative approving the execution of such Related Supplement; (3) the proposed Related Supplement; and (4) an instrument or instruments executed by the Holders of not less than the aggregate principal amount or number of Master Indenture Obligations specified above for the Related Supplement in question which instrument or instruments shall refer to the proposed Related Supplement and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof as on file with the Master Trustee.

Any such consent shall be binding upon the Holder of the Master Indenture Obligation giving such consent and upon any subsequent Holder of such Master Indenture Obligation and of any Master Indenture Obligation issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Master Indenture Obligation giving such consent or by a subsequent Holder thereof by filing with the Master Trustee, prior to the execution by the Master Trustee of such Related Supplement, such revocation and, if such Master Indenture Obligation or Master Indenture Obligations are transferable by delivery, proof that such Master Indenture Obligations are held by the signer of such revocation. At

any time after the Holders of the required principal amount or number of Master Indenture Obligations shall have filed their consents to the Related Supplement, the Master Trustee shall file a written statement to that effect with the Credit Group Representative. Such written statement shall be conclusive evidence that such consents have been so filed.

If the Holders of the required principal amount or number of the Outstanding Master Indenture Obligations have consented to the execution of such Related Supplement, no Holder shall have any right to object to the execution thereof, to object to any of the terms and provisions contained therein or the operation thereof, to question the propriety of the execution thereof or to enjoin or restrain the Master Trustee or the Credit Group Representative from executing such Related Supplement or from taking any action pursuant to the provisions thereof.

Satisfaction and Discharge of Master Indenture

The Master Indenture shall cease to be of further effect if: (a) all Master Indenture Obligations previously authenticated (other than any Master Indenture Obligations which have been mutilated, destroyed, lost or stolen and which have been replaced or paid as provided in any Related Supplement) and not cancelled are delivered to the Master Trustee for cancellation; or (b) all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation are paid; or (c) a deposit is made in trust with the Master Trustee (or with a bank or trust company acceptable to the Master Trustee pursuant to an agreement between an Obligated Group Member and such bank or trust company in form acceptable to the Master Trustee) in cash or Government Obligations or both, sufficient to pay at maturity or upon redemption all Master Indenture Obligations not previously cancelled or delivered to the Master Trustee for cancellation, including principal and interest or other payments (including Financial Product Payments and Financial Product Extraordinary Payments) due or to become due to such date of maturity, redemption date or payment date, as the case may be; and all other sums payable under the Master Indenture by the Obligated Group Members are also paid. The Master Trustee, on demand of the Credit Group Representative and at the cost and expense of the Obligated Group Members, shall execute proper instruments acknowledging satisfaction of and discharging the Master Indenture. Unless the deposit pursuant to clause (c) above is made solely with cash, the Credit Group Representative shall cause a report to be prepared by a firm nationally recognized for providing verification services regarding the sufficiency of funds for such discharge and satisfaction as described in clause (c) above, upon which report the Master Trustee may rely.

The Obligated Group Members shall pay and indemnify the Master Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to the Master Indenture or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of Outstanding Master Indenture Obligations.

Payment of Obligations After Discharge of Lien

Notwithstanding the discharge of the lien of the Master Indenture, the Master Trustee shall retain such rights, powers and duties as may be necessary and convenient for the payment of amounts due or to become due on the Master Indenture Obligations and for the registration, transfer, exchange and replacement of Master Indenture Obligations. Any money held by the Master Trustee for the payment of the principal of, premium, if any, or interest or other Required Payment on any Master Indenture Obligation remaining unclaimed for one year after the principal of all Master Indenture Obligations has become due and payable, whether at maturity, upon proceedings for redemption or by declaration as provided in the Master Indenture, shall then be paid to the Obligated Group Members. The Holders of any Master Indenture Obligations or coupons not previously presented for payment shall thereafter be entitled to look only to the Obligated Group Members for payment thereof as unsecured creditors and all liability of the Master Trustee with respect to such moneys shall thereupon cease.

SUPPLEMENTAL INDENTURE NO. 1 AND OBLIGATION NO. 1

General

The following is a summary of certain provisions of Supplemental Indenture No. 1 and Obligation No. 1. This summary does not purport to be complete or definitive and reference is made to Supplemental Indenture No. 1 and Obligation No. 1 for the complete terms thereof.

Creation of Obligation No. 1

Supplement No. 1 creates Obligation No. 1 as the joint and several Obligation of the Obligated Group, as a single registered note without coupons to the Authority, or its registered assigns.

Interest Rate

Obligation No. 1 bears interest from time to time in an amount equal to the interest accruing and payable with respect to the Bonds. Supplemental Indenture No. 1 provides that Obligation No. 1 shall bear interest on overdue installments of principal, premium, if any, or interest, to the extent permitted by law, at the same rate as that payable under Obligation No. 1 on the installment of principal for which such payment is overdue.

Defeasance

Upon payment by the Obligated Group of a sum, in cash or obligations, or both, sufficient, together with any other cash and obligations held by the Bond Trustee and available for such purpose to cause all outstanding Bonds to be deemed to have been paid within the meaning of the Bond Indenture and to pay all administrative fee payments referred to in the Bond Indenture, accrued and to be accrued to the date of discharge of the Bond Indenture as it relates to the Bonds through the provision for the payment of such Bonds, Obligation No. 1 shall be deemed to have been paid and to be no longer outstanding under the Master Indenture.

Redemption – in General

Obligation No. 1 will be subject to redemption prior to maturity, to the extent and with respect to the corresponding payments of principal and at the applicable redemption premium, if any, that the Bonds are subject to redemption in accordance with the terms of the Bond Indenture. Giving notice of redemption of the Bonds shall, without further notice or action by the Master Trustee or SCCA, constitute notice of redemption of the corresponding amounts of principal due on Obligation No. 1 and the same shall, thereby, become due and payable on the date of redemption of such Bonds and at a redemption price equal to the redemption price payable with respect to the Bonds so redeemed.

Extraordinary Optional Redemption

Obligation No. 1 is also subject to extraordinary optional redemption prior to maturity by the Master Trustee, upon written request from the Obligated Group, in whole or in part on any date, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, from and to the extent of any available net proceeds of insurance or condemnation awards, upon the occurrence of any of the following events: (1) Any portion of the Property, Plant and Equipment of the Obligated Group shall have sustained loss or damage resulting in receipt of net proceeds of insurance in an amount greater than five percent of the aggregate book value of the Property, Plant and Equipment of the Obligated Group; (2) Condemnation of all or any of the Property, Plant and Equipment of the Obligated Group resulting in receipt of net proceeds of an award therefor in an amount greater than or equal to five percent of the aggregate book value of the Property, Plant and Equipment of the Obligated Group; or (3) Insured loss of title to any of the Property, Plant and Equipment of the Obligated Group resulting in receipt of net proceeds of insurance in an amount greater than or equal to five percent of the aggregate book value of the Property, Plant and Equipment of the Obligated Group.

The Master Trustee shall redeem all or such portion of Obligation No. 1, together with all other Master Indenture Obligations (or portions thereof) which provide for such extraordinary optional redemption, on a pro rata basis to the extent that they can be extraordinarily redeemed from and to the extent of net proceeds available therefor, without priority or preference of any such Master Indenture Obligation over any other such Master Indenture Obligation.

Partial Redemption

In the event of a partial redemption of Obligation No. 1 pursuant to Supplemental Indenture No. 1 and Obligation No. 1, the amount of each installment of such Obligation No. 1 becoming due after such redemption shall, to the extent appropriate and with the approval of the Master Trustee, be adjusted and set forth in a new schedule of payments so that, upon the due payment of all installments thereafter, the entire unpaid principal amount of and interest on such Obligation No. 1 and on the Bonds shall have been timely paid in full.

Status as Member

SCCA covenants and agrees to continue to be a Member of the Obligated Group for so long as Obligation No. 1 remains Outstanding under the Master Indenture.

THE DEED OF TRUST

The following is a summary of certain provisions of the Deed of Trust. This summary does not purport to be complete or definitive and reference is made to the Deed of Trust for the complete terms thereof.

The Deed of Trust is a deed of trust, assignment of leases and rents and security agreement from SCCA, as grantor, to the Deed of Trust Trustee for the benefit of the Master Trustee, as beneficiary.

The Deed of Trust secures the following liabilities (the "Liabilities"): (a) the payment of all sums and the performance of the covenants, obligations and agreements in the Deed of Trust (and the truth and representations and warranties of SCCA contained and incorporated by reference therein) and in (i) the Master Indenture, including without limitation Supplemental Indenture No. 1; (ii) Obligation No. 1 and other Master Indenture Obligations from time to time Outstanding under the Master Indenture (the Master Indenture and all Master Indenture Obligations are collectively referred to as the "Master Indenture Documents"); and (iii) any supplements or amendments to the Master Indenture Documents; and (b) the payment of all other sums, with interest thereon, advanced under the terms of the Deed of Trust, the Master Indenture Documents or any supplements or amendments thereto, including all sums advanced by the Master Trustee to protect the Deed of Trust Property.

The Deed of Trust does not secure the obligations of SCCA under the Certificate of Indemnity Regarding Hazardous Substances made by SCCA in favor of the Master Trustee (the "Indemnity Agreement") or the substantial equivalent of the obligations arising under the Indemnity Agreement. Ass such obligations, and substantial equivalents thereof, constitute the separate, unsecured recourse obligations of SCCA.

Under the Deed of Trust, SCCA grants, bargains, sells and conveys to the Deed of Trust Trustee, all of its right, title and interest in the Deed of Trust Property (which includes SCCA's outpatient facility in Seattle, Washington and the leasehold interest in the property on which such facility is located created by the Ground Lease (as defined below)), free and clear of all liens other than Permitted Liens.

So long as no Deed of Trust Default (as defined below) shall have occurred and be continuing, the Master Trustee shall release the Deed of Trust Property as described and upon satisfaction of the conditions described in (a) and (b) below:

(a) the Master Trustee will release Deed of Trust Property upon receipt by the Master Trustee of the following:

(i) a written request of SCCA for such release, describing the Deed of Trust Property to be released (the "Released Property");

(ii) a certificate of SCCA to the Master Trustee certifying:

(A) the fair market value of the Released Property and the property (the "Substituted Property") other than cash to be substituted for the Released Property pursuant to the terms of the Deed of Trust;

(B) the disposition to be made of the Released Property and the consideration (which may include cash) to be received for the Released Property and the fair market value of such consideration (other than money);

(C) that the disposition of the Released Property and the substitution therefor of the Substituted Property will not materially adversely affect the operation of SCCA's health care facilities;

(D) that the Substituted Property other than cash or investment securities is necessary or useful to the operation of SCCA's health care facilities;

(E) that the fair market value of the Substituted Property together with cash, if any, to be deposited with the Master Trustee pursuant to the Deed of Trust is at least equal to the fair market value of the Released Property;

(F) that the execution and delivery of the release by SCCA and the subjection of the Substituted Property to the lien of the Deed of Trust will not result in a default under the Deed of Trust or under the Master Indenture;

(G) that all permits and authorizations of all federal, state and local governmental bodies and agencies have been granted to effect such disposition or that no such permits or authorizations are required;

(H) No default or Deed of Trust Default shall exist and be continuing under the Deed of Trust and no event shall have occurred which would become a Deed of Trust Default upon the giving of notice and/or the passage of time;

(iii) an appraisal of the fair market value of the Released Property by a member of the American Institute of Real Estate Appraisers (an "MAI Appraiser") if the Released Property is real property, or by another expert acceptable to the Master Trustee if the Released Property is not real property; provided that no such appraisal shall be required for the release of real or personal Released Property with an aggregate value of $1,000,000 or less;

(iv) an appraisal of the fair market value of the Substituted Property by an MAI Appraiser if the Substituted Property is real property, or by another expert acceptable to the Master Trustee if the Substituted Property is not real property; provided that no such appraisal shall be required for the substitution of real or personal Substituted Property with an aggregate value of $1,000,000 or less;

(v) a supplement to the Deed of Trust and other documents reasonably requested by, and in form and substance satisfactory to, the Master Trustee necessary to subject the Substituted Property to the lien of the Deed of Trust and, if the Substituted Property is real property, an endorsement to the existing ALTA mortgage loan policy or an additional mortgagee's loan insurance policy, evidencing that the Substituted Property is subject to the lien of the Deed of Trust subject only to Permitted Liens that are not required by the Deed of Trust to be subordinated to the Deed of Trust;

(vi) if the fair market value of the released property when added to the fair market value of the Deed of Trust Property released pursuant to the provisions summarized under this paragraph (a) within the same

12-month period is in excess of $4,000,000 a certificate of an Independent Consultant acceptable to the Master Trustee to the effect set forth in (a)(ii)(C) above; and

(vii) an opinion addressed to the Master Trustee from counsel satisfactory to the Master Trustee to the effect that:

(A) the release of the Mortgage Property requested by SCCA is authorized under the Deed of Trust;

(B) Any Substituted Property is subject to the lien of the Deed of Trust subject only to Permitted Liens that are not required by the Deed of Trust to be subordinated to the Deed of Trust;

(C) The execution and delivery of the requested release and the acceptance of the Substituted Property will not violate any provisions of the Deed of Trust or of the Master Indenture; and all necessary action required to be taken by SCCA to effect the release of the Released Property and the conveyance of the Substituted Property has been taken;

(D) The supplemental amendment to the Deed of Trust, the supplemental indenture to the Master Indenture, if required, and all other documents required to effect the release of the Released Property have been duly authorized, executed and delivered by SCCA and are binding upon SCCA in accordance with their respective terms (subject to customary exceptions for laws affecting creditors' rights and the applicability of equitable principles); and

(E) To the knowledge of such counsel, all permits and authorizations of all federal, state and local governmental bodies and agencies have been granted, or that no such permits or authorizations are required; or

(b) The Master Trustee shall release the Deed of Trust Property upon receipt by the Master Trustee of a written consent to the release of the Deed of Trust Property from the Holders of not less than a majority in aggregate principal amount of the Outstanding Master Indenture Obligations;

The foregoing notwithstanding, upon defeasance of the Master Indenture and Master Indenture Obligations in full, the Deed of Trust will be deemed released.

SCCA agrees that (i) the Master Trustee shall invest any cash deposited with it pursuant to the above provisions regarding release upon substitution in Investment Securities (as defined in the Bond Indenture between the Washington Health Care Facilities Authority, a Related Bond Issuer, and U.S. Bank National Association, as a Related Bond Trustee, with respect to the Authority's Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance), which are Related Bonds under the Master Indenture) pursuant to a written request of SCCA, and any such cash and Investment Securities shall be held by SCCA in a separate trust account for the benefit and security of the Outstanding Master Indenture Obligations; (ii) all income from Investment Securities pursuant to the above-provisions regarding release upon substitution shall be added to the fund held pursuant to those provisions; (iii) funds from time to time on deposit with the Master Trustee pursuant to the release upon substitution provisions above shall be used to make up any deficiencies in the amount available to pay when due the principal of and interest and redemption premium on any Master Indenture Obligations, and to the extent funds are used to make up such deficiencies, SCCA will make payments directly to the Master Trustee for deposit in such trust account in the amount of any such deficiencies forthwith; (iv) upon compliance with the terms and provisions summarized in this paragraph within three years of the date of initial deposit in such trust account of money constituting Substituted Property, such money may be released in return for other Substituted Property; and (v) at the end of such three-year period or upon written request of SCCA and provided that no Deed of Trust Default shall have occurred and be continuing and no event shall have occurred and be continuing which would become a Deed of Trust Default upon the giving of notice and/or the passage of time, any funds held by the Master Trustee pursuant to the Master Indenture provisions summarized in this paragraph and above with respect to release upon substitution shall be applied by the Master Trustee to redeem or purchase Master Indenture Obligations in accordance with the Master

Indenture. Notwithstanding anything to the contrary, any money on deposit with the Master Trustee will be invested in accordance with and subject to the terms of the tax agreements with respect to tax-exempt Related Bonds.

In addition to releases permitted pursuant to the provisions summarized above with respect to release upon substitution, the lien and security interest created by the Deed of Trust upon any personal property constituting Deed of Trust Property, sold, leased or otherwise disposed of by SCCA pursuant to the provisions of the Master Indenture summarized in "THE MASTER INDENTURE – Limitations on the Disposition of Assets" above (other than (i) a transfer of Property from one Member to another Member, (ii) cash or Investment Securities held by the Master Trustee pursuant to the above-paragraph, and (iii) proceeds of property, casualty or similar insurance respecting the Deed of Trust Property and awards, compensation and settlements resulting from condemnation or threat of condemnation of any of the Deed of Trust Property until spend to restore or replace Deed of Trust Property) shall be released from the lien and security interest granted by the Deed of Trust at the time of such lease, sale or other disposition without the necessity of any action by the Master Trustee.

The Deed of Trust requires SCCA to maintain the Deed of Trust Property in good condition and state of repair and in such condition as will not impair its operating unity or character as a health care facility. With limited exceptions, neither SCCA nor any tenant or other person is permitted to remove any portion of the Deed of Trust Property from the State, or remove, demolish or make any alterations to the Deed of Trust Property that change the use of the Deed of Trust Property as a health care facility, or materially lessens its value, without the prior written consent of the Master Trustee.

SCCA is required to promptly comply with all laws, ordinances and regulations of any governmental authority affecting the Deed of Trust Property or use of the Deed of Trust Property, including (without limiting the generality of the foregoing) building codes, and housing, land use, health, safety, and environmental laws, ordinances and regulations; provided that SCCA may, pursuant to appropriate proceedings, contest such laws, ordinances or regulations, in good faith, so long as such proceedings suspend enforcement of such laws, ordinances or regulations and so long as no part of the Deed of Trust Property is or will be in danger of being sold, forfeited or subjected to a lien not otherwise permitted pursuant to the Deed of Trust as a result of SCCA's failure to comply with such laws, ordinances or regulations. SCCA is required to defend at all times the security of the Deed of Trust.

SCCA is required to promptly and faithfully keep, perform and comply with all of the terms, provisions, covenants and agreements of SCCA under the ground lease described in the Deed of Trust (the "Ground Lease"). The Ground Lease may not be modified, amended, terminated, cancelled, surrendered, suspended or changed in any material respect without the written consent of the Master Trustee.

SCCA is required to pay when due, directly to the proper payee, all taxes, assessments, rents, insurance premiums, water, sewer or other utility charges or assessments which might become a lien on the Deed of Trust Property.

Unless and until a Deed of Trust Default occurs, SCCA may remain in possession and control of and operate and manage the Deed of Trust Property and collect all rents, issues, profits, royalties, avails, income, and other benefits derived or owned by SCCA directly from the Deed of Trust Property or any part thereof (herein collectively called the "Rents").

The following events shall constitute Deed of Trust Defaults (each, a "Deed of Trust Default") under the Deed of Trust:

(a) Except as permitted by the Deed of Trust, failure of SCCA within the time required by the Deed of Trust to make any payment for taxes or assessments, or for reserves for such payment, or any other payment necessary to prevent the creation, foreclosure or enforcement of any lien on the Deed of Trust Property.

(b) Material breach of any warranty or material untruth of any representation of SCCA contained or incorporated into the Deed of Trust.

(c) The making or suffering by SCCA of a fraudulent transfer under applicable federal or state law; concealment by Grantor of any of its Deed of Trust Property in fraud of creditors; the making or suffering by SCCA of a voidable preference within the meaning of the Federal Bankruptcy Code; or the imposition of a lien through legal proceedings or distraint upon any of the Deed of Trust Property of SCCA which is not discharged or bonded in the manner required by the Deed of Trust.

(d) The occurrence of an "Event of Default" as defined in the Master Indenture.

(e) The occurrence of an event of default under the Ground Lease beyond any applicable cure period.

(f) Withdrawal or agreement to withdraw any of the Deed of Trust Property or any interest in the Deed of Trust Property except in accordance with the Deed of Trust.

(g) Failure of SCCA to perform any other obligation contained or incorporated by reference in the Deed of Trust within 30 days after notice from the Master Trustee specifying the nature of the default or, if the default is curable but cannot be cured within 30 days, failure within such time promptly to commence and thereafter to complete curative action with all possible diligence. No notice of default and no opportunity to cure shall be required if during the previous 12 months the Master Trustee has already sent a notice to SCCA concerning the default in performance of the same obligation.

Subject to certain provisions of the Master Indenture, upon the occurrence of any Deed of Trust Default and at any time thereafter, the Master Trustee may seek the appointment of a receiver (which may be the Master Trustee or its nominee). Following any revocation of SCCA's license to collect the Rents, the Master Trustee may collect the Rents from the Deed of Trust Property, either itself or through a receiver. The Master Trustee may also invoke the power of sale, in which case the Deed of Trust Trustee shall have the right to foreclose upon SCCA's interest in all or any part of the Deed of Trust Property by nonjudicial notice and sale, or the Master Trustee shall have the right to foreclose such interests by judicial foreclosure, in either case in accordance with applicable law. With respect to any of the Deed of Trust Property which is personal property, the Master Trustee may exercise the rights and remedies of a secured party under the Uniform Commercial Code of the State, or such other state in which such personal property is located at any time. The Deed of Trust further provides that the Master Trustee and the Deed of Trust Trustee shall have any other right or remedy provided in the Deed of Trust, or in any other document or instrument representing or securing the Liabilities or available at law or equity. If a receiver or the Master Trustee is in possession of the Deed of Trust Property, the receiver or the Master Trustee is entitled to use, operate, manage, control and conduct the business on the Deed of Trust Property; make expenditures for the maintenance, decorating, renewal and replacement of the Deed of Trust Property; insure or reinsure the Deed of Trust Property; revoke SCCA's license to collect Rents and collect and apply such sums to the expenses of use, operation and management; cancel or terminate any Lease, or extend or modify any Lease; and complete any construction in progress.

After the Date of Issue and subject to the conditions and restrictions of the Master Indenture, the Master Trustee and SCCA may consent to and execute such supplements or amendments to the Deed of Trust as may or shall by them be deemed necessary or desirable, from time to time and at any time but without the consent of any Holder, for anyone or more of the following purposes:

(a) To add covenants and agreements to the Deed of Trust for the protection of Holders of Master Indenture Obligations; or

(b) To cure any ambiguity or correct any defect or inconsistent provision in the Deed of Trust; or

(c) To make, subject to the lien of the Deed of Trust and the Master Indenture, for the benefit of the Holders of the Master Indenture Obligations, additional revenues, properties or collateral; or

(d) To reflect additions to, withdrawals from, or substitutions for Deed of Trust Property pursuant to the Deed of Trust; or

(e) To provide for the issuance or incurrence of Indebtedness; or

(f) To preserve the exclusion of interest income on any tax-exempt Bonds from gross income for purposes of federal or State income taxation and preserve the right of the Authority to continue to issue bonds, debts or other obligations of any nature the interest income on which is likewise excluded from gross income for purposes of federal or State income taxation; or

(g) To make any other change which, in the judgment of the Master Trustee, is not materially adverse to the interests of the Master Trustee or the Holders of Outstanding Master Indenture Obligations.

Except for the supplements and amendments necessary or desirable to accomplish the purposes set forth in the paragraph above, neither the Master Trustee nor SCCA, as appropriate, shall consent to any other supplement or amendment to the Deed of Trust after the execution thereof without the prior written consent of the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations; provided, that no such amendment, change or modification shall ever affect the unconditional obligation of the SCCA to make payments as they become due and payable or the priority of payment or security of any Master Indenture Obligation over any other Master Indenture Obligations. If the Holders of not less than a majority in aggregate principal amount of Outstanding Master Indenture Obligations shall have consented to and approved the execution thereof as provided in the Deed of Trust, no Holder shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to questions the propriety of the execution thereof, or to enjoin or restrain the Master Trustee or SCCA, as appropriate, from executing the same or from taking any action pursuant to the provisions thereof.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE BOND INDENTURE AND THE LOAN AGREEMENT

The following summary of certain provisions of the Bond Indenture and the Loan Agreement does not purport to be comprehensive. Reference should be made to the Bond Indenture and the Loan Agreement for a full and complete statement of the provisions of said documents.

DEFINITIONS OF CERTAIN TERMS

"Act" means Chapter 70.37 RCW, as now in effect and as it may from time to time be amended or supplemented.

"Additional Payments" means the payments required to be made by the Corporation pursuant to the Loan Agreement.

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

"Authorized Representative" means with respect to (i) the Corporation, the chief executive officer or chief financial officer, or any other person designated as an Authorized Representative of the Corporation by a Certificate of the Corporation, executed by its chief executive officer or chief financial officer, filed with the Bond Trustee, and (ii) the Authority, the Chairman, the Secretary, the Executive Director or any Deputy Executive Director of the Authority, or any other person designated an Authorized Representative of the Authority by a duly authorized motion or resolution of the Authority filed with the Bond Trustee.

"Authority" means the Washington Health Care Facilities Authority, a public body corporate and politic and an agency of the State, created pursuant to, and as defined in, the Act, and its successors.

"Bond Counsel" means independent counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes approved by, selected by or retained by the Authority from time to time.

"Bond Fund" means the fund by that name established pursuant to the Bond Indenture, including the Principal Account, the Interest Account, the Reserve Account and the Redemption Account.

"Bond Indenture" means the Bond Indenture, between the Authority and the Bond Trustee, executed and delivered in connection with the Bonds, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

"Bond Trustee" means U.S. Bank National Association, a national trust corporation organized and existing under the laws of the United States of America or its successor.

"Bond Year" means the period of twelve consecutive months (except for the initial Bond Year which commences on the Date of Issue) ending on March 1 in any year in which Bonds are Outstanding.

"Bonds" means Washington Health Care Facilities Authority Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance), authorized by, and at any time Outstanding pursuant to, the Bond Indenture.

"Business Day" means any day other than a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Principal Corporate Trust Office of the Bond Trustee is located are authorized by law or executive order to close.

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

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

"Corporation" means Seattle Cancer Care Alliance, a nonprofit corporation duly organized and existing under the laws of the State of Washington, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Corporation and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, initial fees of the Authority, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee (including legal fees and charges of its counsel), legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original issuance of Bonds.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Bond Indenture.

"Date of Issue" means the date the Bonds are issued by the Authority.

"Depository" means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes, and means initially, DTC.

"DTC" means The Depository Trust Company, New York, New York, its successors and their assigns or, if DTC or its successor or assign resigns from its functions as Depository for the Bonds, any other Depository which agrees to follow the procedures required to be followed by a Depository in connection with the Bonds and which is selected by the Authority, at the direction of the Corporation.

"Environmental Laws" means any and all local, state and federal laws, ordinances, regulations and orders related to (a) environmental protection; (b) the use, storage, generation, production, treatment, emission, discharge, remediation, removal, disposal or transport of any Hazardous Substance; or (c) any other environmental matter.

"Event of Default" means any of the events of default described under the heading "THE BOND INDENTURE -- Events of Default; Remedies" in this Appendix D.

"Excess of Revenues over Expenses" means for any Fiscal Year, the number which is the sum of operating income (total unrestricted revenues of the Obligated Group and any Designated Affiliates as shown on the audited financial statements of the Credit Group, less total expenses of the Obligated Group and any Designated Affiliates), plus other income of the Obligated Group and any Designated Affiliates, all as shown on the statement of operations in the audited financial statements of the Credit Group, excluding any other changes in net assets, any extraordinary items and any unrealized gains and losses on investments, all as shown on the statement of operations of the audited financial statements of the Credit Group.

"Favorable Opinion of Bond Counsel" means a written opinion of Bond Counsel, addressed to the Authority and the Bond Trustee to the effect that the action proposed to be taken is authorized or permitted by the Bond Indenture and will not result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of Delaware, its successors and assigns, or if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated in writing by the Corporation with the approval of the Authority.

"Hazardous Substances" means any substance or material defined or designated, as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance, or other similar term, by any Environmental Laws, and shall include any such substance or material as may become defined or designated as hazardous or toxic material by such Environmental Laws.

"Health Care Facility" means any "health care facility," as defined in the Act.

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

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

"Interest Payment Date" means March 1 and September 1 of each year, commencing March 1, 2009.

"Investment Securities" means any of the following that at the time are legal investments under the laws of the State for moneys held under the Bond Indenture and then proposed to be invested therein:

(a) United States Government Obligations;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

(1) Export-Import Bank;

(2) Rural Economic Community Development Administration;

(3) U.S. Maritime Administration;

(4) Small Business Administration;

(5) U.S. Department of Housing & Urban Development (PHAs);

(6) Federal Housing Administration; and

(7) Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(1) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

(2) Obligations of the Resolution Funding Corporation (REFCORP); and

(3) Senior debt obligations of the Federal Home Loan Bank System.

(d) U.S. dollar denominated deposit accounts, federal fund and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase;

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in money market funds rated "AAAm" or "AAm-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest Rating Category of Moody's or S&P or any successors thereto; or

(2) (a) which are fully secured as to principal and interest redemption premium, if any, by an escrow consisting only of cash or United States Government Obligation, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (b) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(h) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(i) Investment agreements collateralized by any of the securities listed above (supported by appropriate opinions of counsel);

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

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

(l) Other forms of investments approved in writing by Holders of a majority in principal amount of the Bonds then Outstanding.

"Loan Agreement" means that certain loan and security agreement by and between the Authority and the Corporation, executed and delivered in connection with the Bonds, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Bond Indenture.

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

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

"Mandatory Sinking Account Payment" means the amount required by the Bond Indenture to be paid by the Authority on any single date for the retirement of the Term Bonds.

"Master Indenture" means the Master Indenture, between the Corporation and the Master Trustee, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

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

"Maximum Annual Bond Service" means, as of any date of calculation, the sum of (1) interest falling due on then Outstanding Bonds (assuming that all then Outstanding Term Bonds are retired at the times of and in amounts provided for by Mandatory Sinking Account Payments), (2) the principal amount of then Outstanding Serial Bonds falling due by their terms, and (3) the aggregate amount of Mandatory Sinking Account Payments required to be paid on the Bonds; all as computed for the then-current or any future Bond Year in which such sum is the largest.

"Members" mean the Corporation and each other Person that is then obligated under the Master Indenture.

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

"Obligated Group" means the Corporation and each other Person which becomes and is a Member of the Obligated Group pursuant to the terms of the Master Indenture.

"Obligation No. 1" means the Obligation issued under the Master Indenture and Supplement No. 1.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority. If and to the extent required by the provisions of the Bond Indenture, each Opinion of Counsel shall include the statements provided for in the Bond Indenture.

"Optional Redemption Account" means the subaccount by that name in the Redemption Account established pursuant to the Bond Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the Bond Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under the Bond Indenture except (1) Bonds theretofore canceled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Bond Indenture, including Bonds (or portions of Bonds) referred to in the provisions of the Bond Indenture relating to disqualified Bonds; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to the Bond Indenture; and when used with respect to Long-Term Indebtedness (as defined in the Master Indenture), shall have the meaning ascribed thereto in the Master Indenture. See "SUMMARY OF THE MASTER INDENTURE AND THE DEED OF TRUST – DEFINITIONS" in Appendix C.

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

"Principal Account" means the fund by that name in the Bond Fund established pursuant to the Bond Indenture.

"Principal Corporate Trust Office" means the office of the Bond Trustee.

"Principal Payment Date" means any date on which principal on the Bonds is due and payable, whether by reason of maturity, declaration of acceleration or redemption from Mandatory Sinking Account Payments, or otherwise.

"Prior Bonds" means, collectively, the Authority's Weekly Rate Demand Revenue Bonds, Series 2001 (Seattle Cancer Care Alliance), the "2001 Bonds" and its Weekly Rate Demand Revenue Bonds, Series 2005 (Seattle Cancer Care Alliance), the "2005 Bonds."

"Rating Agency" means Fitch, S&P and Moody's, whenever such rating agency is maintaining a current rating on the Bonds at the request of the Authority and the Corporation.

"RCW" means the Revised Code of Washington, as now in existence or as amended.

"Record Date" means, as the case may be, the applicable Regular or Special Record Date.

"Redemption Account" means the account by that name in the Bond Fund established pursuant to the Bond Indenture.

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

"Regular Record Date" means, with respect to each Interest Payment Date, the fifteenth (15th) day (whether or not a Business Day) of the preceding month for such Interest Payment Date.

"Reserve Account" means the account by that name in the Bond Fund established pursuant to the Bond Indenture.

"Reserve Account Requirement" means, as of any date of calculation, an amount equal to the Maximum Annual Bond Service.

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

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

"Serial Bonds" means the Bonds payable with respect to principal at their specified maturity date, for which no Mandatory Sinking Account Payments are provided, if any.

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

"Special Redemption Account" means the subaccount by that name in the Redemption Account established pursuant to the Bond Indenture.

"State" means the State of Washington.

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

"Supplement No. 1" means that certain Supplemental Master Trust Indenture No. 1, between the Corporation and the Master Trustee, pursuant to which Obligation No. 1 is issued.

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

"Term Bonds" mean the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for the purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Trust Estate" means the interest of the Bond Trustee, created by the Bond Indenture, in and to the property described in the Granting Clauses of the Bond Indenture, and all revenues, money, investments, general intangibles and instruments and the income, interest and proceeds thereof and thereon.

"United States Government Obligations" means (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) and obligations the timely payment of which are fully guaranteed by the United States of America; and (2) senior debt obligations of other agencies of the United States of America.

THE BOND INDENTURE

General

The Bond Indenture sets forth the terms of the Bonds, the nature and extent of security, the various rights of the Holders of the Bonds, the rights, duties and immunities of the Bond Trustee and the rights and obligations of the Authority. Certain provisions of the Bond Indenture are summarized below. Other provisions are summarized in this Official Statement under the captions "THE BONDS" and "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The following is a summary of certain provisions of the Bond Indenture. This summary does not purport to be complete or definitive and reference is made to the Bond Indenture for the complete terms thereof.

Trust Estate; Establishment and Application of Bond Fund

The Authority, in consideration of the premises, of the acceptance by the Bond Trustee of the trusts created by the Bond Indenture, of the purchase and acceptance of the Bonds by the Holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, executed, authenticated, delivered, secured and accepted by all Persons who shall from time to time be or become Holders thereof, and in order to secure the payment of the principal of the Bonds, and the interest and the premium, if any, thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and contained in the Bond Indenture grants a lien against and a security interest in, and releases, assigns, pledges, transfers, delegates, grants and conveys unto the Bond Trustee and its successors and assigns forever, without recourse, the property described below (the "Trust Estate"):

(a) All rights, title and interests of the Authority in, and its duties and obligations under, the Loan Agreement and Obligation No. 1 (with certain reservations and exceptions noted in the Loan Agreement), including, but not limited to, the lien against and security interests in the Corporation's interests, if any, in the money and investments in the Bond Fund and the Costs of Issuance Fund and the Project Fund, and the present and continuing right thereunder to (i) make claim for, collect or cause to be collected, receive or cause to be received all sums payable or receivable thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement thereof, and (iii) to do the things which the Authority is or may become entitled to do under the Loan Agreement and Obligation No. 1; and

(b) All rights, title and interests of the Authority in and to the rents, issues, profits, income, revenues and receipts derived by the Authority from the Trust Estate or any part thereof, it being the intent and purpose of the Bond Indenture that the assignment and transfer to the Bond Trustee of the rents, issues, profits, income, revenues and receipts derived from the Trust Estate shall be effective and operative immediately and shall continue in full force and effect, and the Bond Trustee shall have the right to collect and receive said rents, issues, profits, income, revenues and receipts derived from the Trust Estate for application in accordance with the provisions of the Bond Indenture, at all times during the period from and after the date of the Bond Indenture until the Bonds shall have been fully paid and discharged or the lien of the Bond Indenture shall have been defeased in accordance with the Bond Indenture; and

(c) The Revenues, the Bond Fund, the Costs of Issuance Fund and the Project Fund, and the amounts on deposit therein, subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions as set forth in the Bond Indenture;

(d) Any and all other Property, or interest therein, of every name and nature by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, or security interests with respect thereto granted, as and for additional security for the Bonds by the Authority or the Corporation or by anyone on its behalf or with their written consent in favor of the Bond Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Bond Indenture; and

(e) All revenues, money, investments, general intangibles and instruments and the income, interest and proceeds of any of the foregoing and on any of the foregoing;

The Authority authorizes and directs the Bond Trustee to establish a special fund designated as the "Bond Fund," which shall consist of the Principal Account, the Interest Account, the Redemption Account and the Reserve Account. The Bond Fund shall be held by the Bond Trustee separate and apart from all other funds and accounts of the Authority, the Corporation and the Bond Trustee, and shall be maintained as long as any Bonds remain Outstanding. The money and investments held in the accounts in the Bond Fund shall be held in trust by the Bond Trustee for the benefit of the Holders of the Bonds as described in paragraphs (a) – (e) above, and shall be applied solely in accordance with the provisions of the Bond Indenture.

The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Bond Trustee and shall forthwith be paid by the Authority to the Bond Trustee. The Bond Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Corporation under the Loan Agreement and of the Corporation and the other Members under Obligation No. 1.

Establishment of Funds and Accounts

Costs of Issuance Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Bond Trustee to pay the Costs of Issuance upon receipt by the Bond Trustee of a Requisition of the Corporation stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the one hundred eightieth (180th) day following the initial issuance of the Bonds, or upon the earlier Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund. The Authority has no

obligation under the Bond Indenture or under the Act to deposit any funds (other than the proceeds of the Bonds as provided in the Bond Indenture) into the Costs of Issuance Fund, or to apply any funds to the payment of the Costs of Issuance except the funds in the Costs of Issuance Fund or other funds specifically made available therefor by or on behalf of the Corporation.

Interest Account. All amounts in the Interest Account shall be held, disbursed, allocated and applied by the Bond Trustee, as provided in the Bond Indenture.

Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely to redeem or pay at maturity the Bonds, as provided in the Bond Indenture.

On the date of each Mandatory Sinking Account Payment, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of the Term Bonds to which such payment applies, upon the notice and in the manner provided in the Bond Indenture; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee may apply moneys in the Principal Account to the purchase of such Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in writing by the Corporation, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Term Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Term Bonds to which such payment would otherwise have applied with moneys in the Principal Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited such Term Bonds with the Bond Trustee (together with a Request of the Corporation to apply such Term Bonds so deposited to the Mandatory Sinking Account Payment due on said date with respect to such Term Bonds), or Term Bonds to which such payment would otherwise have applied were at any time purchased or redeemed by the Bond Trustee from the Redemption Account and allocable to said Mandatory Sinking Account Payment, such Term Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. Term Bonds purchased from the Principal Account, purchased or redeemed from the Redemption Account, or deposited by the Corporation with the Bond Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment applicable thereto, then as a credit against such future Mandatory Sinking Account Payments applicable thereto as the Corporation may specify.

Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Bond Indenture, at the next succeeding date of redemption for which notice has been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Bonds (or, if the Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in the case of the Optional Redemption Account in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Bond Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation. All Bonds purchased or redeemed from the Redemption Account shall be allocated first to the next succeeding Mandatory Sinking Account Payment, then as a credit against such future Mandatory Sinking Account Payments as the Corporation may specify.

Reserve Account. All amounts in the Reserve Account shall be used and withdrawn by the Bond Trustee solely for the purpose of making up any deficiency in the Interest Account or the Principal Account or (together with any other money available therefor) for the redemption of all Bonds then Outstanding. Amounts on deposit in the Reserve Account shall be valued by the Bond Trustee at their market value each March 1 and the Bond Trustee shall promptly notify the Corporation of the results of such valuation. In making such valuations, the Bond Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon. If the amount on deposit in the Reserve Account on any day following

such valuation is less than the Reserve Account Requirement the Bond Trustee shall promptly notify the Corporation and the Corporation shall, pursuant to the Loan Agreement, deposit the amount necessary to increase the balance in said account to the Reserve Account Requirement. If the amount on deposit in the Reserve Account on any day following such valuation is more than the Reserve Account Requirement, the amount in excess of the Reserve Account Requirement shall be withdrawn by the Bond Trustee from the Reserve Account and transferred to the Interest Account.

Project Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used, withdrawn and disbursed by the Bond Trustee pursuant to the Bond Indenture to pay Project Costs. No moneys in the Project Fund shall be used to pay Costs of Issuance. The Authority has no obligation under the Indenture or under the Act to deposit any funds (other than the proceeds of the Bonds as provided in the Bond Indenture) into the Project Fund, or to apply any funds to the payment of the Project Costs except the funds in the Project Fund or other funds specifically made available therefor by or on behalf of the Corporation. Before any payment from the Project Fund shall be made, the Corporation shall file or cause to be filed with the Bond Trustee a Requisition of the Corporation in substantially the form attached to the Bond Indenture.

Upon receipt of a Project Fund Requisition, the Bond Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Project Fund. The Bond Trustee shall not make any such payment if it has received any written notice of claim of lien, attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment.

When the Project shall have been completed, there shall be delivered to the Bond Trustee a Certificate of the Corporation stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate, the Bond Trustee shall, as directed by said Certificate, transfer any remaining balance in the Project Fund, less the amount of any such retention, to the Interest Account of the Bond Fund.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts established pursuant to the Bond Indenture shall be invested by the Bond Trustee, upon written direction of the Corporation (or oral direction immediately confirmed in writing), solely in Investment Securities. Investment Securities shall be purchased at such prices as the Corporation may direct. All Investment Securities shall be acquired subject to the limitations set forth in the Bond Indenture, the limitations as to maturities described below under this heading and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation. No Request of the Corporation shall impose any duty on the Bond Trustee inconsistent with its fiduciary responsibilities. In the absence of directions from the Corporation, the Bond Trustee shall invest in Investment Securities described in clause (f) of the definition thereof.

Moneys in the Reserve Account shall be invested in Investment Securities with a maturity of not to exceed the final maturity date of the Bonds, provided, however, moneys in all funds and accounts shall be invested in Investment Securities maturing or able to be called for payment by the Corporation not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Bond Indenture. Investment Securities acquired as an investment of moneys in any fund or account established under the Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account all Investment Securities credited to such fund or account shall be valued by the Bond Trustee as set forth in the Bond Indenture. Unless otherwise specifically provided in the Bond Indenture, all interest, profits and other income received from the investment of moneys in any fund or account established pursuant to the Bond Indenture shall be deposited when received in such fund or account.

Amendment of Loan Agreement

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

Notwithstanding the provisions of the Bond Indenture described in the preceding paragraph, the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the Authority, but without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

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

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

(3) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds; or

(4) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds.

Events of Default; Remedies

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

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption from Mandatory Sinking Account Payments, by declaration of acceleration or otherwise;

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

(c) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Bond Indenture or in the Bonds, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Corporation by the Bond Trustee, or to the Authority, the Corporation and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; or

(d) a Loan Default Event.

Remedies. Whenever any Event of Default referred to in the Bond Indenture shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

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

(b) In the case of any Event of Default described in clause (c) above, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Bond Indenture; and

(c) In the case of an Event of Default described in clause (d) above, the Bond Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement.

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

Immediately after any acceleration the Bond Indenture, the Bond Trustee, to the extent it has not already done so, shall notify in writing the Authority and the Corporation of the occurrence of such acceleration.

Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of the Bond Indenture (subject to the provisions of the Bond Indenture with respect to money held by the Bond Trustee for payment due on particular Bonds) shall be applied by the Bond Trustee as follows and in the following order:

(a) To the payment of any regular fees and expenses owed to the Bond Trustee under the Bond Indenture or under the Loan Agreement (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Bond Indenture; provided, however, that moneys on deposit in the Bond Fund shall not be applied for such purposes; and

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

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

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

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

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

Limitation on Bondholders' Right to Sue.

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Bond Indenture, the Loan Agreement, Obligation No. 1, the Act or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers granted in the Bond Indenture or to institute such suit, action or proceeding in its own name; provided, however, that if more than one such request is received by the Bond Trustee from the Holders, the Bond Trustee shall follow the written request executed by the Holders of the greater percentage of Bonds then Outstanding in excess of twenty-five percent (25%); (3) such Holder or said Holders shall have tendered to the Bond Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Amendment of Bond Indenture

The Bond Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Bond Trustee may enter into when the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the Holders of the Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in

the Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Bond Trustee of any Supplemental Bond Indenture pursuant to the provisions of the Bond Indenture described in this paragraph, the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

The Bond Indenture and the rights and obligations of the Authority, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Bond Trustee may enter into without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

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

(2) to facilitate (i) the transfer of Bonds from one Depository to another in the succession of Depositories, or (ii) the withdrawal from a Depository of Bonds held in a Book-Entry System and the issuance of replacement Bonds in fully registered form to Persons other than a Depository;

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

(4) to modify, amend or supplement the Bond Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect after the date of issuance of the Bonds, if required by such act or statute;

(5) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds;

(6) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Bond Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; or

(7) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds.

Removal or Resignation of Bond Trustee

(1) The Authority may, and upon written request of the Corporation (unless an Event of Default shall have occurred and then be continuing) with the written consent of the Authority shall, remove the Bond Trustee. Additionally, the Authority shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of the Bond Indenture described in paragraph (4) under this heading, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of

its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and shall appoint, with the written consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(2) The Bond Trustee may at any time resign by giving written notice of such resignation to the Authority and the Corporation and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Authority shall promptly appoint, at the written request of the Corporation, a successor Bond Trustee by an instrument in writing. The Bond Trustee shall not be relieved of its duties until such successor Bond Trustee has accepted appointment.

(3) Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under the Bond Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee in the Bond Indenture; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under the Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions set forth in the Bond Indenture. Upon request of the successor Bond Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as described under this heading, the Authority shall mail a notice of the succession of such Bond Trustee to the trusts thereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. If the Authority fails to mail such notice within fifteen days after acceptance of appointment by the successor Bond Trustee, the successor Bond Trustee shall cause such notice to be mailed at the expense of the Authority.

(4) The Bond Trustee and any successor Bond Trustee shall be a trust company or bank having trust powers in the State and a combined capital and surplus of at least seventy-five million dollars ($75,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Bond Indenture described in this paragraph the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of the Bond Indenture described in this paragraph, the Bond Trustee shall resign immediately in the manner and with the effect specified in the Bond Indenture as described under this heading.

Defeasance

The Bonds may be paid by the Authority or the Bond Trustee on behalf of the Authority in any of the following ways:

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

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

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

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

LOAN AGREEMENT

The Loan Agreement provides the terms of a loan of all or a portion of the proceeds of the Bonds by the Authority to the Corporation and the repayment of such loan by the Corporation.

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete or definitive and reference is made to the Loan Agreement for the complete terms thereof.

Payments of Principal, Premium and Interest

The Corporation agrees to pay, or cause to be paid, "Loan Repayments" as follows: (i) on or before the second Business Day next preceding each Interest Payment Date the full amount of the interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding (less any amounts on deposit in the Interest Account available for the payment of such interest) and (ii) on or before the second Business Day next preceding each Principal Payment Date the aggregate amount of principal becoming due and payable on the Outstanding Bonds, plus the aggregate amount of Mandatory Sinking Account Payments required to be paid for Outstanding Bonds, in each case on such Principal Payment Date (less any amounts on deposit in the Principal Account available for the payment of such principal or Mandatory Sinking Account Payments).

Within three (3) Business Days of receipt of notice from the Bond Trustee pursuant to the Bond Indenture that the amount on deposit in the Reserve Account is less than the Reserve Account Requirement the Corporation shall transfer to the Bond Trustee for deposit in the Reserve Account the amount of moneys necessary to increase the balance in the Reserve Account to the Reserve Account Requirement.

Credits for Payments

The Corporation shall receive credit against its payments required to be made under the Loan Agreement, in addition to any credits resulting from payment or repayment from other sources, as follows:

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

(b) on installments of principal or Mandatory Sinking Account Payments in an amount equal to moneys deposited in the Principal Account, which amounts are available to pay principal of the Bonds, to the extent such amounts have not previously been credited against such payments;

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

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

Prepayment

The Corporation shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Loan Repayments and the Authority agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or surrender of Bonds, as contemplated by the Loan Agreement. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made under the Loan Agreement remain unpaid, the Corporation shall not be relieved of its obligations the Loan Agreement.

The obligations of the Corporation under the Loan Agreement and pursuant to Obligation No. 1, including the obligation of the Corporation to pay the principal of and interest on Obligation No. 1, are absolute and unconditional, notwithstanding any other provision of the Loan Agreement, Supplement No. 1, the Master Indenture or the Bond Indenture.

Fees and Costs

(a) The Corporation covenants and agrees to pay promptly to the Authority, for purposes of defraying the operating costs of the Authority, the annual proprietary charges invoiced by the Authority not exceeding one tenth of one percent (0.1%) (or such lesser percentage as the parties may agree) of the principal amount of the Outstanding Bonds. The first annual proprietary charge shall be payable for the ensuing year on the Date of Issue and shall be due upon receipt of the Authority's invoice therefor; subsequent proprietary charges shall be payable in advance on each anniversary of the Date of Issue and shall be due upon receipt of the Authority's invoice therefor.

(b) In further consideration of the execution of the Loan Agreement, the Corporation covenants and agrees to pay or cause to be paid promptly to the Persons to whom payment is due, all of the fees and expenses incurred by the Authority incident to preparing, offering, selling and issuing the Bonds, including, but not limited to, the fees and expenses of Bond Counsel, the Authority's special counsel, and the Authority's financial advisor.

(c) The Corporation further covenants and agrees to pay or cause to be paid to the Bond Trustee, as and when due, during the period commencing with the Bond Trustee's agreement to accept the Trust Estate and continuing until the Bond Indenture shall have been fully discharged, the reasonable and necessary fees and expenses of the Bond Trustee upon the submission by the Bond Trustee of a statement therefor to the Corporation, and to reimburse or indemnify the Bond Trustee in the circumstances described in the Bond Indenture; provided, that the Corporation's obligation under the Loan Agreement shall survive termination of the Loan Agreement and the defeasance of the Bonds pursuant to the Bond Indenture.

(d) The Corporation further covenants and agrees to pay or cause to be paid, when due and payable, the following additional amounts and costs and expenses, which shall be paid directly to the Persons entitled to such payments:

(i) All costs incurred in connection with the transfer, exchange or redemption of the Bonds, including all charges of the Authority and the Bond Trustee with respect thereto, to the extent money is not otherwise available therefor; and

(ii) The fees and other costs incurred for services of such engineers, architects, attorneys, consultants and accountants as are employed to make examinations, provide service, render opinions and prepare reports required or authorized under the Loan Agreement and the Bond Indenture; and

(iii) The fees and expenses of Bond Counsel incurred in delivering Opinions of Counsel, as permitted or required pursuant to the Loan Agreement or the Bond Indenture;

Excess of Revenues over Expenses Covenant

Within 135 days following the end of each Fiscal Year, the Corporation shall provide to the Authority and the Master Trustee (and the Bond Trustee if not the Master Trustee) an Officer's Certificate of the Credit Group Representative showing the Excess of Revenues over Expenses for each of the four full Fiscal Years ending with the Fiscal Year which is the subject of such audited financial statements of the Credit Group. If the Officer's Certificate discloses that (i) the Excess of Revenues over Expenses was negative for the previous two full Fiscal Years, with the Excess of Revenues over Expenses for the most recent Fiscal Year being less than the Excess of Revenues over Expenses for the penultimate Fiscal Year, or (ii) the Excess of Revenues over Expenses was negative for three of the past four full Fiscal Years, then, not later than the 15th day following delivery of such Officer's Certificate, the Obligated Group shall retain, at its expense, an Independent Consultant to make recommendations as to the methods of operation of the Obligated Group which are intended to result in a positive Excess of Revenues over Expenses in the next following Fiscal Year or sooner; and shall require such Independent Consultant to submit its recommendations in writing within 90 days after being retained. Copies of the Independent Consultant's recommendations shall be filed with the Authority and the Master Trustee.

If the Obligated Group is required to retain a Independent Consultant as described in the foregoing paragraph, then, promptly upon receipt of such Independent Consultant's recommendations, each Member shall, and each Controlling Member shall cause each of its Designated Affiliates to, revise its methods of operations and take such other actions as shall be in conformity with such recommendations to the extent feasible; provided, however, that if any Member or Designated Affiliate determines in good faith, by board resolution passed by at least two-thirds of its full Governing Body, that any such recommendation is impossible or wholly detrimental to its operations or purposes, states the reasons for such determination, and delivers to the Authority and the Master Trustee true and correct copies of such board resolution, then such Member or Designated Affiliate shall be excused from compliance with the applicable recommendation of the Independent Consultant. If and so long as each Member and Designated Affiliate complies in all material respects with the recommendations of the Independent Consultant, or has been excused from compliance, the failure of the Obligated Group to meet the requirements described under this heading in the full Fiscal Year following the Fiscal Year during which such recommendations are submitted shall not constitute a default under the Loan Agreement; provided, however, that the provisions described under this heading shall not be construed as in any way excusing such Member or Designated Affiliate from taking any action or performing any other duty required under the Loan Agreement, or be construed as constituting a waiver of any other defaults thereunder; and provided further, that the Obligated Group shall not be required to retain a Independent Consultant to make recommendations more frequently than biennially.

The provisions of the Loan Agreement described under this heading and the related definitions, shall not be amended without the prior written consent of the Authority.

Loan Default Events

The following events shall constitute and are referred to in the Loan Agreement as a "Loan Default Event":

(a) Failure by the Corporation to pay in full any payment required by the Loan Agreement or under Obligation No. 1 when due, whether at maturity, upon a payment date specified in the Loan Agreement, upon a date fixed for prepayment, by declaration or otherwise pursuant to the terms of the Loan Agreement;

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

(c) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in the Loan Agreement on its part to be observed or performed, other than as referred to in subparagraph (a) or (b) under this heading, or shall breach any warranty by the Corporation in the Loan Agreement contained, for a period of thirty (30) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the Authority or the Bond Trustee; except that, if such failure or breach can be remedied but not within such thirty (30) day period and if the Corporation has taken all action reasonably possible to remedy such failure or breach within such thirty (30) day period, such failure or breach shall not become a Loan Default Event for so long as the Corporation shall diligently proceed to remedy such failure or breach in accordance with and subject to any directions or limitations of time established by the Bond Trustee;

(d) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Corporation's facilities;

(e) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Corporation's facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(f) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation's facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

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

(h) Any Event of Default as defined in and under the Master Indenture.

Remedies on Default

If a Loan Default Event shall occur, then, and in each and every such case during the continuance of such Loan Default Event, the Bond Trustee on behalf of the Authority, subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due under the Loan Agreement, to enforce performance and observance of any obligation or agreement of the Corporation under the Loan Agreement or to protect the interests securing the same.

Amendments and Supplements

The Loan Agreement may be amended, changed or modified in writing by the parties thereto only as provided in the Bond Indenture. See "THE BOND INDENTURE – Amendment of Loan Agreement" in this Appendix D.

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APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Washington Health Care Facilities Authority
Olympia, Washington

Washington Health Care Facilities Authority
Revenue Bonds, Series 2008
(Seattle Cancer Care Alliance)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Washington Health Care Facilities Authority (the "Authority") in connection with the issuance of $90,000,000 aggregate principal amount of Washington Health Care Facilities Authority Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance) (the "Bonds"), issued pursuant to the provisions of Chapter 70.38 RCW, as amended (the "Act"), and a bond indenture, dated as of December 1, 2008 (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Bond Trustee"). The Bond Indenture provides that the Bonds are issued for the purpose of making a loan of the proceeds thereof to Seattle Cancer Care Alliance ("SCCA") pursuant to a loan and security agreement, dated as of December 1, 2008 (the "Loan Agreement"), between the Authority and SCCA. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Indenture.

In such connection, we have reviewed the Bond Indenture; the Loan Agreement; the Tax Agreement; an opinion of counsel to SCCA; certificates of the Authority, the Bond Trustee, SCCA and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of Foster Pepper PLLC, counsel to SCCA, regarding, among other matters, the current qualification of SCCA as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of SCCA regarding the use of the facilities financed with the proceeds of the Bonds in activities that are not considered unrelated trade or business activities of SCCA within the meaning of Section 513 of the Code. We note that the opinion of counsel to SCCA does not address Section 513 of the Code. Failure of SCCA to be organized and operated in accordance with the Internal Revenue Service's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond financed facilities in activities that are considered unrelated trade or business activities of SCCA within the meaning of Section 513 of the Code, may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs

hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Bond Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement relating to the Bonds or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding special fund revenue obligations of the Authority, payable solely from the Bond Fund.

2. The Bond Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Bond Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Trust Estate, subject to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. The Bonds do not constitute an obligation, either general, special or moral, of the State of Washington (the "State"), or a pledge of the faith and credit of the State, or a general obligation of the Authority. The holders of the Bonds have no right to require the State or the Authority, nor has the State or the Authority any obligation or legal authorization, to levy any taxes or appropriate or expend any of their respective funds for the payment of the principal thereof or the interest or any premium on the Bonds.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by SEATTLE CANCER CARE ALLIANCE (the "Corporation"), a nonprofit corporation duly organized and existing under the laws of the State of Washington, on behalf of itself and the other Members of the Obligated Group (as defined below), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States, in its capacity as dissemination agent hereunder (the "Dissemination Agent"), in connection with the issuance of Washington Health Care Facilities Authority Revenue Bonds, Series 2008 (Seattle Cancer Care Alliance) in the aggregate principal amount of $90,000,000 (the "Bonds"). The Bonds will be issued pursuant to a Bond Indenture dated as of December 1, 2008 (the "Bond Indenture"), between Washington Health Care Facilities Authority (the "Authority") and U.S. Bank National Association, as trustee (the "Bond Trustee"). The proceeds of the Bonds will be loaned by the Authority to the Corporation pursuant to a Loan and Security Agreement dated as of December 1, 2008 (the "Loan Agreement"), between the Authority and the Corporation. Pursuant to the terms of the Loan Agreement, the Dissemination Agent and the Corporation covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Members of the Obligated Group and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below), as it may be applicable from time to time. The Members of the Obligated Group and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any Person, including any Holder or Beneficial Owner of the Bonds, with respect to the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(a) of this Disclosure Agreement.

"Annual Report" shall mean any Annual Report provided by the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Audited Financial Statements" means the audited consolidated financial statements and other financial information of the Obligated Group and its subsidiaries and its affiliates for the prior fiscal year, certified by an independent auditor as prepared in accordance with accounting principles generally accepted in the United States or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 4(b) of this Disclosure Agreement.

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

"Central Post Office" shall mean the DisclosureUSA website (currently http://www.disclosureusa.org) maintained by the Municipal Advisory Council of Texas or any successor thereto or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may or shall make filings in compliance with the Rule.

"Disclosure Representative" shall mean the Vice President and Chief Financial Officer of the Corporation or his or her designee, or such other person as the Corporation shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean the Bond Trustee, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Corporation and which has filed with the Bond Trustee a written acceptance of such designation in the form attached hereto as Exhibit B.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Master Indenture" shall mean Master Trust Indenture dated as of December 1, 2008, as supplemented and amended, between the Corporation and U.S. Bank National Association, as master trustee

"Member" or "Member of the Obligated Group" shall mean, individually, the Corporation or any future person designated as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities Exchange Commission are listed at http://sec.gov/info/municipal/nrmsir.htm.

"Obligated Group" or "Obligated Group Member" shall mean the Corporation and any future person designated as a Member of the Obligated Group pursuant to the terms of the Master Indenture.

"Official Statement" shall mean the Official Statement, dated January 23, 2009, relating to the Bonds.

"Participating Underwriter" shall mean the original underwriters of the Bonds.

"Quarterly Report" shall mean any Quarterly Report provided by the Obligated Group pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Washington.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the SEC. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual and Quarterly Reports.

(a) The Obligated Group shall or, upon delivery to the Dissemination Agent pursuant to paragraph (b) below, the Dissemination Agent shall, not later than 135 days following the end of the Corporation's fiscal year (which fiscal year currently ends on June 30 of each calendar year), commencing with the report for the fiscal year ending June 30, 2009, provide to each Repository and the Authority an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the Audited Financial Statements of the Obligated Group may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Corporation's fiscal year changes, the Corporation shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) Not later than five Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Obligated Group shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). The Corporation shall provide a written certification with the Annual Report furnished to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Obligated Group hereunder. The Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) may conclusively rely upon such certification of the Corporation. If by five Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Corporation and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) to notify the Corporation and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) of the requirements of subsection (a) and this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and to the Authority in substantially the form attached as Exhibit A.

(d) The Obligated Group, or upon delivery to the Dissemination Agent pursuant to paragraph (e) below, the Dissemination Agent, shall provide to each Repository and the Authority not later than 45 days following the end of each fiscal quarter of the Corporation

(except for each fiscal quarter ending June 30), commencing with the report for the fiscal quarter ending March 31, 2009, a Quarterly Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

(e) Not later than five Business Days prior to the date specified in subsection (d) for providing the Quarterly Report to the Repositories, the Obligated Group shall provide the Quarterly Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). The Corporation shall provide a written certification with the Quarterly Report furnished to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) to the effect that such Quarterly Report constitutes the Quarterly Report required to be furnished by the Obligated Group hereunder. The Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) may conclusively rely upon such certification of the Corporation. If by five Business Days prior to such date, the Dissemination Agent has not received a copy of the Quarterly Report, the Dissemination Agent shall contact the Corporation and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) to notify the Corporation and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) of the requirements of subsection (d) and this subsection (e).

(f) If the Dissemination Agent is unable to verify that a Quarterly Report has been provided to the Repositories by the date required in subsection (d), the Dissemination Agent shall send a notice to each Repository and to the Authority in substantially the form attached as Exhibit A.

(g) The Dissemination Agent shall continue to make succeeding Quarterly Reports available to Beneficial Owners having submitted such a request until receipt by the Dissemination Agent of a subsequent request to no longer receive such information.

(h) The Dissemination Agent shall:

(i) determine prior to the date for providing each Annual Report and Quarterly Report the name and address of each National Repository and each State Repository, if any; and

(ii) to the extent the Obligated Group has provided the Annual Report or Quarterly Report, as applicable, to the Dissemination Agent, file such report with the Authority and the Bond Trustee (if the Dissemination Agent is not the Bond Trustee), certify that the Annual Report or Quarterly Report, as applicable, has been provided pursuant to this Disclosure Agreement, set forth the date it was provided, and list all the Repositories to which it was provided. The Dissemination Agent shall also make each Annual Report or Quarterly Report, as applicable, available to any Beneficial Owner that requests such report in writing at least two Business Days prior to the end of the fiscal year or fiscal quarter to which such report relates. The Dissemination Agent shall continue to make succeeding Annual Reports and Quarterly Reports

available to Beneficial Owners having submitted such a request until receipt by the Dissemination Agent of a subsequent request to no longer receive such information.

SECTION 4.Content of Annual and Quarterly Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Obligated Group, including the information provided in Appendix A to the Official Statement as follows: (A) the charts in Appendix A under the headings: (1) "UTILIZATION DATA"; (2) "HISTORICAL FINANCIAL INFORMATION – Summary Financials"; (3) "HISTORICAL FINANCIAL INFORMATION – Historical Liquidity Schedule – Days Cash on Hand"; (4) "HISTORICAL FINANCIAL INFORMATION – Historical and Pro Forma Debt Service Coverage"; and (5) "HISTORICAL FINANCIAL INFORMATION – Sources of Revenue"; and (B) a narrative explanation discussing the Obligated Group's financial performance if necessary to avoid misunderstanding in judging the financial and operating condition of the Obligated Group, regarding the presentation of financial and operating data concerning the Obligated Group.

(b) Audited Financial Statements prepared in accordance with accounting principles generally accepted in the United States will be included in the Annual Report. Audited Financial Statements will be provided pursuant to Section 3(a). If the Obligated Group's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the Obligated Group's audited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(c) Each Quarterly Report shall contain quarterly financial information with respect to the Obligated Group, including unaudited financial statements and other financial information of the Obligated Group excluding footnotes prepared materially in accordance with accounting principles generally accepted in the United States and the information provided in Appendix A to the Official Statement under the headings: (1) "UTILIZATION DATA"; (2) "HISTORICAL FINANCIAL INFORMATION – Summary Financials"; and (3) "HISTORICAL FINANCIAL INFORMATION – Sources of Revenue."

(d) The items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which each Member of the Obligated Group is an "obligated person" (as defined by the Rule), which have been submitted to each of the Repositories or the SEC. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Obligated Group shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Obligated Group shall give, or upon delivery of the information to the Dissemination Agent, the Dissemination Agent

shall give, notice of the occurrence of any of the following events with respect to the Bonds, if material under applicable federal securities laws:

1. Principal and interest payment delinquencies;

2. Nonpayment related defaults;

3. Modifications to rights of Bondholders;

4. Optional, contingent or unscheduled prepayment of Bonds;

5. Defeasances;

6. Rating changes;

7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

8. Unscheduled draws on the debt service reserves reflecting financial difficulties;

9. Unscheduled draws on credit enhancements reflecting financial difficulties;

10. Substitution of credit or liquidity providers, or their failure to perform;

11. Release, substitution or sale of property securing repayment of the Bonds; and

12. Failure to provide annual or quarterly financial information as required.

(b) Whenever a Member of the Obligated Group obtains knowledge of the occurrence of a Listed Event, the Obligated Group shall, as soon as possible, determine if such event would be material under applicable federal securities laws.

(c) If the Obligated Group has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Corporation shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If the Obligated Group determines that the Listed Event would not be material under applicable federal securities laws, the Corporation shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Corporation to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the Repositories with a copy to the Authority. Notwithstanding the foregoing, notice of Listed Events described in subsections 5(a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders of affected Bonds pursuant to the Bond Indenture.

SECTION 6. Termination of Reporting Obligation. The Obligated Group Member's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Corporation shall give notice of such termination in the same manner as for a Listed Event under Section 5(e). If the Corporation's obligations under the Loan Agreement are assumed in full by some other entity, such Person shall be responsible for compliance with this Disclosure Agreement relating thereto in the same manner as if it were the Obligated Group and the Obligated Group shall have no further responsibility hereunder with respect thereto.

SECTION 7. Dissemination Agent. The Corporation may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association, as Bond Trustee. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the Corporation and the Bond Trustee. If a successor Dissemination Agent is appointed to assist the Members of the Obligated Group in carrying out their obligations under this Disclosure Agreement, such successor Dissemination Agent shall execute an acceptance of duties as Dissemination Agent in substantially the form attached as Exhibit B hereto.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Members of the Obligated Group and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Obligated Group, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(d), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an "obligated person" (as defined in the Rule) with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Indenture for amendments to such Bond Indenture with the consent of Holders, or (ii) does not, in the opinion of Bond Counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligated Group shall describe such amendment in the next Annual Report, and

shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligated Group. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligated Group from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligated Group chooses to include any information in any Annual Report or Quarterly Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Obligated Group shall have no obligation under this Agreement to update such information or include it in any future Annual Report or Quarterly Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Obligated Group or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Bond Indenture grants the right to the Bond Trustee, and imposes a duty upon the written direction of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Bonds, but only to the extent indemnified by the Obligated Group to its satisfaction for any liability or expense, including without limitation reasonable attorney's fees and expenses and any additional fees and charges of the Bond Trustee, or allows any Holder or Beneficial Owner of the Bonds to take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Obligated Group, the Dissemination Agent or the Bond Trustee, as the case may be, to comply with their respective obligations under this Disclosure Agreement. Upon any such default, the Bond Trustee is required to promptly notify (and confirm in writing) the Authority of such event but the Authority has no duties pursuant to this Disclosure Agreement as a result of being so notified. A default under this Disclosure Agreement shall not be deemed an event of default under either the Bond Indenture or Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Members of the Obligated Group or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall any violation of this Disclosure Agreement, by itself, constitute a violation of any other laws, including other applicable securities laws.

SECTION 11. Duties, Immunities and Liabilities of the Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Members of the Obligated Group agree to indemnify and save the Dissemination Agent and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable

attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligated Group for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Corporation from time to time. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Obligated Group hereunder and shall not be deemed to be acting in any fiduciary capacity for the Obligated Group, the Holders, Beneficial Owners or any other party. The obligations of the Members of the Obligated Group under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Corporation:

Seattle Cancer Care Alliance
825 Eastlake Avenue East
P.O. Box 19023
Seattle, Washington 98109-1023
Phone: (206) 288-1060
Fax: (206) 288-6643
Attention: Vice President and Chief Financial Officer

with a copy to:

Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
Phone: (206) 447-8970
Fax: (206) 749-1908

To the Bond Trustee:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
PD-WA-T7CT
Seattle, Washington 98101
Telephone: (206) 344-4687
Fax: (206) 344-4630

To the Dissemination Agent:

U.S. Bank National Association
1420 Fifth Avenue, 7th Floor
PD-WA-T7CT
Seattle, Washington 98101
Telephone: (206) 344-4687
Fax: (206) 344-4630

To the Authority:

Washington Health Care Facilities Authority
410 11th Avenue S.E., Suite 201
Olympia, Washington 98504-0935
Attention: Executive Director
Telephone: (360) 753-6185
Fax: (360) 586-9168

SECTION 13. Beneficiaries; Enforcement Rights of the Authority. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Bond Trustee, the Dissemination Agent, the Participating Underwriters, Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other Person or entity.

The Authority is hereby granted the right to enforce all remedies granted or conferred upon the Dissemination Agent, the Bond Trustee, the Holders or the Beneficial Owners hereunder.

SECTION 14. Delivery to the Central Post Office. Notwithstanding the foregoing, any provision herein requiring delivery of a notice or other information to the Repositories shall be satisfied through delivery of such notice or other information to the Central Post Office.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: February 3, 2009.

SEATTLE CANCER CENTER ALLIANCE

By:_____
Executive Vice President

By:_____
Vice President and Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee and Dissemination Agent

By:_____
Authorized Signatory

Approved:

WASHINGTON HEALTH CARE FACILITIES AUTHORITY

By:_____
Executive Director

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE [ANNUAL] [QUARTERLY] REPORT

Name of Issuer:	Washington Health Care Facilities Authority
Name of Issue:	Washington Health Care Facilities Authority Revenue Bonds, Series 2008 (Seattle Cancer Center Alliance)
Name of Corporation:	Seattle Cancer Care Alliance
Date of Issuance:	February 3, 2009

NOTICE IS HEREBY GIVEN that the Obligated Group has not provided an [Annual] [Quarterly] Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated February 3, 2009, between Seattle Cancer Care Alliance, on behalf of itself and the other Members of the Obligated Group, with respect to the Bonds. The Obligated Group anticipates that the [Annual] [Quarterly] Report will be filed by _____.

Dated:_____

_____,
as Dissemination Agent

By: _____
Authorized Signatory

cc: Seattle Cancer Center Alliance

EXHIBIT B

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT

The undersigned, duly authorized officer of [Name of Successor Dissemination Agent] (the "Dissemination Agent") hereby accepts the duties and obligations imposed upon the undersigned as Dissemination Agent under the Continuing Disclosure Agreement, dated February 3, 2009, between Seattle Cancer Center Alliance and U.S. Bank National Association, as initial Dissemination Agent and relating to the Washington Health Care Facilities Authority Revenue Bonds, Series 2008 (Seattle Cancer Center Alliance).

The principal corporate trust office of the Dissemination Agent is _____ _____.

Dated: _____

[NAME OF SUCCESSOR DISSEMINATION AGENT], as successor Dissemination Agent

By: _____
Authorized Officer

cc: Seattle Cancer Center Alliance
U.S. Bank National Association, as Bond Trustee

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SEATTLE
CANCER CARE
ALLIANCE

Mixed Sources
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