

REQUEST FOR BOARD ACTION

HENDERSON COUNTY

BOARD OF COMMISSIONERS

MEETING DATE: 7 June 2010

SUBJECT: Final Approval of Terms and Documents for Henderson County Hospital Corporation Revenue Bond Financing

ATTACHMENT(S): Draft resolution
Master Trust Indenture
Third Supplemental Trust Indenture

SUMMARY OF REQUEST:

On 21 April 2010, this Board approved application to the Local Government Commission by Henderson County Hospital Corporation for approval of Hospital Revenue Bonds.

You are now asked to issue the Bond Order, approving the final issuance of the Bonds.

County staff will be present and prepared if requested to give further information on this matter.

BOARD ACTION REQUESTED:

Approve the attached resolution, and form of the documents to be used.

If the Board is so inclined, the following motion is suggested:

I move that the Board approve the Bond Order shown attached, and approve in substance the form of the Third Supplemental Trust Indenture.

EXTRACTS FROM MINUTES OF BOARD OF COMMISSIONERS

The Board of Commissioners (the “*Board*”) of the County of Henderson, North Carolina (the “*County*”) held a special meeting in the County Administration Building, 113 North Main Street, Hendersonville, North Carolina on June 7, 2010, at 5:30 pm. The following Commissioners were:

Present: _____

Absent: _____

The Chairman of the Board introduced the following bond order, the title of which was read and copies of which had been previously distributed to the Board:

BOND ORDER AUTHORIZING THE ISSUANCE AND SALE BY THE COUNTY OF A NOT TO EXCEED \$3,000,000 COUNTY OF HENDERSON, NORTH CAROLINA, HOSPITAL REVENUE BOND (MARGARET R. PARDEE MEMORIAL HOSPITAL PROJECT), SERIES 2010 AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

BE IT ORDERED by the Board of Commissioners (the “*Board*”) of the County of Henderson, North Carolina (the “*County*”):

Section 1. The Board does hereby find and determine as follows:

(a) The filing of an application with the North Carolina Local Government Commission (the “*Commission*”) requesting approval of the issuance of a not to exceed \$3,000,000 Hospital Revenue Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010 (the “*Series 2010 Bond*”) of the County for the purpose of providing funds to reimburse itself for funds advanced for a purchase of three medical office buildings in connection with the Hospital Facility (the “*Project*”), is hereby ratified and confirmed in all respects;

(b) The County, by resolution, also requested the Commission to sell the Series 2010 Bond at private sale without advertisement.

(c) The Commission has approved the application of the County for the issuance of the Series 2010 Bond in an aggregate principal amount not to exceed \$3,000,000 in accordance with N.C.G.S. 159-86.

(d) The County has determined to issue the Series 2010 Bond in an aggregate principal amount not to exceed \$3,000,000 for the purpose of providing funds, together with other available funds, to (i) reimburse itself for previously paying costs of the Project through the issuance of the Series 2010 Bond, and (ii) pay certain costs and expenses incurred in connection with the issuance of the Series 2010 Bond.

(e) The County proposes to sell the Series 2010 Bond to Branch Banking and Trust Company (the “*Purchaser*”).

(f) There have been presented to the County at this meeting copies of the following documents relating to the issuance and sale of the Series 2010 Bond:

(1) Master Trust Indenture dated as of September 1, 2001 (the “*Master Trust Indenture*”) between the County and First-Citizens Bank & Trust Company, succeeded by U.S. Bank National Association as trustee (the “*Trustee*”); and

(2) A draft of the Third Supplemental Trust Indenture dated as of June 1, 2010 between the County and the Trustee (the “*Third Supplemental Indenture*”).

(g) The County has determined that the issuance and sale of the Series 2010 Bond in the manner provided in this Bond Order is in the best interests of the County.

Section 2. Capitalized words and terms used in this Bond Order and not defined herein shall have the same meanings given such words and terms in the Master Trust Indenture and the Third Supplemental Indenture.

Section 3. Pursuant to the provisions of The State and Local Government Revenue Bond Act, as amended (the “*Act*”), particularly N.C.G.S. 159-88, the County hereby authorizes the issuance of the Series 2010 Bond in an aggregate principal amount not to exceed \$3,000,000. The Series 2010 Bond shall mature in annual installments at such times and in such amounts as shall be set forth in the Third Supplemental Indenture, subject to the provisions of this Bond Order and the Master Trust indenture.

The Series 2010 Bond shall be issued as a fixed rate, fully registered bond payable in interest installments as set forth in the Third Supplemental Indenture.

Section 4. The Series 2010 Bond shall be subject to optional redemption at the times, upon the terms and conditions, and at the price as shall be set forth in the Third Supplemental Indenture.

Section 5. The proceeds of the Series 2010 Bond shall be applied as provided in the Third Supplemental Indenture.

Section 6. The Series 2010 Bond, together with all existing Bonds and any additional Bonds hereafter issued pursuant to the provisions of the Master Trust Indenture, shall be secured on a parity basis by a pledge, charge and lien upon the Net Revenues of the Hospital System to the extent set forth in the Master Trust Indenture. The Series 2010 Bond is additionally secured by a pledge, charge and lien upon the funds in the Series 2010 Bond Fund to the extent set forth in the Third Supplemental Indenture.

Section 7. The form, terms and conditions of the Third Supplemental Indenture is hereby approved, and the Chairman and Vice Chairman of the Board are hereby authorized to execute and directed to deliver, or cause to be delivered, the Third Supplemental Indenture together with such changes, additions and deletions as the Chairman and Vice Chairman of the Board, with the advice of counsel, may deem necessary and appropriate, including, without limitation, changes, additions and deletions necessary to incorporate the final terms of the Series 2010 Bond as set forth in the Third Supplemental Indenture and to incorporate certain terms and provisions required by the rating agencies, such execution and delivery to be conclusive evidence of the approval and authorization in all respects of the form and content thereof and the Clerk and the Deputy Clerk are hereby authorized to attest to the same.

Section 8. The Chairman and Vice Chairman of the Board and the County Manager and the Finance Director of the County, or any of them or their deputies, are authorized and directed without limitation except as may be expressly set forth in this Bond Order) to take such action and to execute and deliver such certificates, agreements, instruments, opinions or other documents as they, with the advice of counsel, may deem necessary or appropriate to effect the transactions contemplated by this Bond Order, the Master Trust Indenture and the Third Supplemental indenture.

The officers of the County and the agents and employees of the County are hereby authorized and directed to do all acts and things required of them by the provisions of this Bond Order, the Series 2010 Bond, the Master Trust Indenture and the Third Supplemental Indenture for the full, punctual and complete performance of the terms, covenants, provisions and agreements of the same.

Section 9. The issuance and private sale without advertisement of the Series 2010 Bond is hereby approved subject to the terms and conditions set forth in this Bond Order.

Section 10. This Bond Order shall take effect immediately upon its passage.

Upon motion of Commissioner _____, seconded by Commissioner _____, the foregoing Bond Order entitled **“ORDER AUTHORIZING THE ISSUANCE AND SALE BY THE COUNTY OF A NOT TO EXCEED \$3,000,000 OF COUNTY OF HENDERSON, NORTH CAROLINA, HOSPITAL REVENUE BOND (MARGARET R. PARDEE MEMORIAL HOSPITAL PROJECT), SERIES 2010 AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH”** was passed by the following vote:

Ayes: _____

Nays: _____

Abstain: _____

Adopted this the 7th day of June, 2010.

HENDERSON COUNTY BOARD OF COMMISSIONERS

[SEAL]

By: _____
Chairman

ATTESTED BY:

Secretary to the Board

MASTER TRUST INDENTURE

by and between

County of Henderson, North Carolina

and

First-Citizens Bank & Trust Company

as Trustee

Dated as of September 1, 2001

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MASTER TRUST INDENTURE

THIS MASTER TRUST INDENTURE (this "Indenture"), dated as of September 1, 2001, is by and between the **COUNTY OF HENDERSON, NORTH CAROLINA** (the "County"), a political subdivision of the State of North Carolina and **FIRST-CITIZENS BANK & TRUST COMPANY**, as trustee (the "Trustee"), having an office and principal place of business in Raleigh, North Carolina, duly organized and existing under the laws of the State of North Carolina, being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the State of North Carolina;

WITNESSETH:

WHEREAS, the County owns the Margaret R. Pardee Memorial Hospital (the "Hospital Facility"), a public general acute-care hospital;

WHEREAS, the County has leased the Hospital Facility to the Henderson County Hospital Corporation (the "Corporation") pursuant to an Amended and Restated Lease Agreement by and between the County and the Corporation dated as of September __, 2001 (the "Lease Agreement");

WHEREAS, from time to time the County desires to issue revenue bonds pursuant to the Act (hereinafter defined) to acquire, construct and equip certain improvements and additions to the Hospital Facility;

WHEREAS, the County is empowered, under the Constitution and laws of the State of North Carolina, particularly The State and Local Government Revenue Bond Act, Chapter 159 of the General Statutes of North Carolina, as amended (herein called the "Act"), to issue revenue bonds for the purpose of paying the cost of a revenue bond project (as defined in the Act);

WHEREAS, under the Act, the County is authorized and empowered:

(i) to acquire, construct, reconstruct, extend, improve, maintain, better and operate revenue bond projects which include hospitals and other health related facilities;

(ii) to establish, maintain, revise, charge and collect such rates, fees, rentals or other charges for the use, services, facilities and commodities of or furnished by any revenue bond project;

(iii) to borrow money for the purpose of acquiring, constructing, reconstructing, extending, bettering, or otherwise paying the cost of revenue bond projects, and to issue its revenue bonds or bond anticipation notes therefor;

(iv) to pledge to the payment of such bonds and interest thereon revenues from one or more revenue bond projects, including revenues from improvements, betterments or extensions to such projects thereafter constructed or acquired as well as

the revenues from existing systems, plants, works, instrumentalities and properties of the projects to be improved, bettered or extended;

(v) to enter into contracts with any person, firm or corporation, public or private, on such terms as the Board of Commissioners of the County may determine, with respect to the acquisition, construction, reconstruction, extension, betterment, improvement, maintenance or operation of revenue bond projects; and

WHEREAS, the County has determined to issue revenue bonds for the purposes of paying and reimbursing the County and the Corporation for a portion of the cost of certain revenue bond projects, and paying certain costs of issuing such bonds;

WHEREAS, the Bonds (hereinafter defined) issued under this Indenture will be secured by a pledge, charge and lien upon the Net Revenues (hereinafter defined) of the Hospital System (hereinafter defined);

WHEREAS, under the Constitution and laws of the State of North Carolina, including the Act, the County is authorized to enter into this Indenture, to issue the Bonds as hereinafter provided and to do or cause to be done all the acts and things herein provided or required to be done as hereinafter covenanted;

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of North Carolina, including the Act, to happen, exist and be performed precedent to and in the execution and delivery of this Indenture have happened, exist and have been performed as so required to make this Indenture a valid and binding indenture of trust securing the Bonds in accordance with its terms; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS INDENTURE WITNESSETH that in consideration of these premises, of the acceptance by the Trustee of the trusts hereby created, and of the issuance of Bonds as provided herein, and also for and in consideration of the sum of One Dollar in hand paid by the Trustee at or before the execution and delivery of this Indenture, and for other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Holders (hereinafter defined) thereof, and to secure the payment of all Bonds at any time issued and Outstanding (hereinafter defined) under this Indenture and the interest and the redemption premium, if any, thereon according to their tenor, purport and effect, and to secure the performance and observance of all the covenants, agreements and conditions, express or implied, therein and herein contained, the County has executed and delivered this Indenture, and by this Indenture has given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set over, and pledged, and does hereby give, grant, bargain, alien, remise, release, convey, transfer, assign, confirm, set over, and pledge unto the Trustee, and its successor or successors in trust:

1. All Net Revenues of the Hospital System; and
2. All money and securities held by or on behalf of the Trustee in all of the funds, accounts or subaccounts established pursuant to this Indenture, except those funds, accounts and subaccounts that are expressly pledged in a Supplemental Indenture as security only for a specified Series of Bonds.

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successor or successors in trust and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the benefit, security and protection of all and singular the present and future Holders of the Bonds issued or to be issued under and secured by this Indenture, without preference, priority or distinction as to lien or otherwise, except as may otherwise be provided herein, of any one Bond over any other Bond by reason of priority in their issue, sale or otherwise, all as herein provided;

PROVIDED, HOWEVER, that if the County, its successors or assigns, shall well and truly pay, or cause to be paid, or provide for the payment, pursuant to the provisions of this Indenture, of the principal of all Bonds and the interest and any redemption premium due or to become due thereon, at the times and in the manner mentioned in the Bonds and this Indenture, according to the true intent and meaning hereof and thereof, and shall cause the payments to be made as required under this Indenture, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof and perform all of its other obligations hereunder, then, upon such performance, this Indenture and the rights hereby granted shall cease, determine and become void, as provided in Article XI hereof; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated, delivered and dealt with, and all said property hereby given, granted, bargained, aliened, remised, released, conveyed, transferred, assigned, confirmed, set-over and pledged is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Holders, from time to time, of Bonds as follows:

ARTICLE I.

DEFINITIONS

Section 1.01. Meaning of Words and Terms. In addition to words and terms elsewhere defined in this Indenture, the following words and terms as used in this Indenture shall have the following meanings, unless some other meaning is plainly intended:

"Accountant" means the firm of independent certified public accountants at the time serving as such pursuant to Section 6.03 of this Indenture.

"Accounts" means any right to payment for goods sold or leased or for services rendered which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

"Account Lien Amount" means the product of (x) the Coverage Factor multiplied by (y) an amount equal to the Corporation's net patient accounts (as shown in its audited Financial Statements for the preceding Fiscal Year).

"Act" means The State and Local Government Revenue Bond Act (Article 5 of Chapter 159 of the North Carolina General Statutes, as amended).

"Annual Budget" means the annual budget adopted by the Corporation for the Hospital System for any Fiscal Year of determination, as the same may be amended.

"Balloon Long-Term Indebtedness" means Long-Term Indebtedness 25% or more of the principal payments of which are due in a single year, which portion of the principal is not required by the documents pursuant to which such Indebtedness is incurred to be amortized by redemption prior to such date.

"Board" means the Board of Commissioners for the County, or any successor board or body in which the power to govern the County shall be vested.

"Bonds" means any bonds authorized and secured under this Indenture.

"Business Day" means any day (other than a Saturday or Sunday) on which banks located in New York, New York, or in the city in which the principal corporate trust office of the Trustee is located, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

"Capitalization" means the sum of (i) all Long-Term Indebtedness of the County and the Corporation, and (ii) the aggregate unrestricted fund balance of the Corporation (including any funds and accounts restricted to use for capital acquisition and expansion), all as calculated in accordance with generally accepted accounting principles.

"Code" means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of succeeding law, as applicable to the Bonds.

"Completion Indebtedness" means any Long-Term Indebtedness incurred for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions hereof, to the extent necessary to provide a completed and equipped facility of the type and scope contemplated at the time that such Long-Term Indebtedness theretofore incurred was originally incurred, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made

in conformance with the documents pursuant to which such Long-Term Indebtedness theretofore incurred was originally incurred.

"Corporation" means Henderson County Hospital Corporation, a nonprofit corporation organized under the provisions of Chapter 55A of the North Carolina General Statutes, as amended, and any successor or successors thereto.

"Corporation Representative" means each of the persons at the time designated to act on behalf of the Corporation in a written certificate furnished to the County and the Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the Corporation by the president or Chief Financial Officer of the Corporation.

"Costs" or "Costs of a Project" means all costs of planning, developing, financing constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and shall include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the County, Corporation or Management Consultant; (d) costs of the County or Corporation properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Bonds, costs of Credit Facilities, a Debt Service Reserve Fund, if any and Trustee's, Registrar's and Paying Agent's fees and expenses; (f) any Swap Termination Payments due in connection with a Series of Bonds or the failure to issue such Series of Bonds; and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the County or the Corporation.

Costs or Costs of a Project shall not be deemed to include any costs related to the payment of any sales tax paid by the County.

"County" means the County of Henderson, North Carolina.

"County Attorney" means any attorney or attorneys acting on behalf of the County.

"County Representative" means each of the persons at the time designated to act on behalf of the County, which persons are named in a written certificate furnished to the Trustee, which certificate shall contain the specimen signature(s) of such person(s) and shall be signed on behalf of the County by the Chairman or Vice Chairman of the Board.

"Coverage Factor" means an amount determined in accordance with the following schedule:

<u>Long-Term Debt Service Coverage Ratio for preceding Fiscal Year</u>	<u>Coverage Factor</u>
greater than or equal to 4	100%
less than 4 but greater than or equal to 3.5	75%
less than 3.5 but greater than or equal to 2.5	50%
less than 2.5 but greater than or equal to 1.5	25%
less than 1.5	0%

"Credit Facility" shall mean a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement, Debt Service Reserve Fund Surety Policy or other financial instrument which obligates a third party to make payment of or provide funds to the Trustee for the payment of the principal of and/or interest on or the purchase price of Bonds whether such obligation is to pay in the first instance and seek reimbursement or to pay only if the County fails to do so.

"Credit Provider" means the party obligated to make payment of principal of and/or interest on or the purchase price of the Bonds under a Credit Facility; provided, however, that the Credit Provider may not be the Trustee unless an arrangement satisfactory to the Local Government Commission has been established including, but not limited to, designating a co-trustee or separate trustee for the purpose of drawing on the Credit Facility.

"Cross-over Date" means, with respect to Cross-over Refunding Indebtedness, the date on which the principal portion of the related Cross-over Refunded Indebtedness is to be paid or redeemed from the proceeds of such Cross-over Refunding Indebtedness.

"Cross-over Refunded Indebtedness" means Indebtedness refunded by Cross-over Refunding Indebtedness.

"Cross-over Refunding Indebtedness" means Indebtedness issued for the purpose of refunding other Indebtedness if the proceeds of such Refunding Indebtedness are irrevocably deposited in escrow to secure the payment on the applicable redemption date or maturity date of the Refunded Indebtedness, and the earnings on such escrow deposit are required to be applied to pay interest on such Refunding Indebtedness until the Cross-over Date.

"Debt Service Reserve Fund" means any Debt Service Reserve Fund created by the County pursuant to a Supplemental Indenture in connection with the issuance of any Series of Bonds and that is required to be funded for the purpose of providing additional security for such Series of Bonds and under certain circumstances to provide additional security for such other designated Series of Bonds issued pursuant to the terms of this Indenture and as specified in any Supplemental Indenture.

"Debt Service Reserve Fund Surety Policy" means an insurance policy or surety bond, or a letter of credit, deposited with the Trustee for the credit of the Debt Service Reserve Fund created for one or more series of Outstanding Bonds in lieu of or in partial substitution for cash

or securities on deposit therein. The entity providing such Debt Service Reserve Fund Surety Policy shall be rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

"Defaulted Interest" means Defaulted Interest as defined in Section 2.03 of this Indenture.

"Defeasance Obligations" means (i) non-callable Government Obligations, (ii) evidences of ownership of a proportionate interest in specified non-callable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, and (iii) Defeased Municipal Obligations.

"Defeased Municipal Obligations" means obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P and Moody's, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) Government Obligations or (ii) evidences of ownership of a proportionate interest in specified non-callable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal of and interest on such Government Obligations or evidences of ownership, when due and payable, shall provide sufficient money to pay the principal of, redemption premium, if any, and interest on such obligations of state or local government municipal bond issuers.

"Depository" means one or more banks or trust companies authorized under the laws of the United States of America or the State to engage in the banking business within the State and designated by the County as a depository of money under the provisions of this Indenture.

"Eminent Domain" means the eminent domain or condemnation power by which all or any part of the Hospital System may be taken for public use or any agreement that is reached in lieu of proceedings to exercise such power.

"Event of Default" means, with respect to this Indenture, each of those events set forth in Section 7.01 of this Indenture.

"Financial Statements" means the financial statements of the Corporation for a twelve-month period, or for such other period for which an audit has been performed, prepared in accordance with generally accepted accounting principles, which have been audited and reported upon by independent certified public accountants.

"Fiscal Year" means, with respect to the Hospital System, the period commencing on the first day of October of any year and ending on the last day of September of the following year, unless the County and the Trustee are notified in writing by the Corporation of a change in such period, in which case the Fiscal Year means the 12-month period set forth in such notice.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or

liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Governmental Restrictions" means federal, state or other applicable governmental laws or regulations affecting the County or the Corporation placing restrictions and limitations on the (i) fees and charges to be fixed, charged and collected by the County or the Corporation with respect to the operations of the Hospital System or (ii) the amount or timing of the receipt of such revenues.

"Government Obligations" shall mean direct or fully guaranteed obligations of the United States of America (including any such securities issued or held in book-entry form on the books of the Department of Treasury of the United States of America), including short term money market funds comprised either entirely of the foregoing or of a portfolio which is limited to such obligations and repurchase agreements fully collateralized by such obligations. Such money market funds may include funds advised by the Trustee.

"Hedged Debt" has the meaning set forth in the definition of Indebtedness herein.

"Holder" means the registered owner of any Bond.

"Hospital Facility" means the existing health care facilities that as of November 1, 1998 are owned by the County and leased to and operated by the Corporation, including the Margaret R. Pardee Memorial Hospital.

"Hospital System" means, collectively, the Hospital Facility, the Project, any Improvements, and all facilities of the County or the Corporation operated by the Corporation at which health care or medical services are provided, any additions, improvements, extensions, alterations, and appurtenances thereto and thereof, all equipment used in connection therewith, and all real property upon which the same are located, whether the same are now existing or hereafter constructed, installed or acquired.

"Improvements" means any future additions, enlargements, improvements, extensions, alterations, fixtures, equipment, land, appurtenances, and other facilities to or for the Hospital System.

"Income Available for Debt Service" means the excess of Revenues over Operating Expenses before depreciation, amortization and interest expense, as determined in accordance with generally accepted accounting principles consistently applied; provided, however, that no determination thereof shall take into account any gain or loss that would be regarded as an extraordinary item under generally accepted accounting principles consistently applied.

"Indebtedness" means (i) all indebtedness of the County or the Corporation for borrowed money with respect to the Hospital System and (ii) all installment sales, conditional sales and capital lease obligations incurred or assumed by the County or the Corporation with respect to the Hospital System. Indebtedness shall not include (1) obligations secured solely by the full faith and credit and taxing power of the County for purposes unrelated to the Hospital System or

other indebtedness of the County secured solely by revenues or other funds unrelated to the ownership or the operation of the Hospital System, (2) installment purchase or lease financings unrelated to the Hospital System, (3) obligations of the County or the Corporation under a line of credit, letter of credit, standby bond purchase agreement or similar credit or liquidity facility established in connection with the issuance of any Indebtedness to the extent that such credit or liquidity facilities have not been used or drawn upon and to the extent that they have been used or drawn upon to purchase, but not retire, Indebtedness, or (4) obligations for which there is on deposit with a third party escrow agent, cash or government obligations registered in the name of such third party escrow agent that are irrevocably pledged to payment of either or both principal of and interest on the Indebtedness for which they are pledged, or (5) purchase money debt, non-recourse to the Hospital Corporation and secured only by the property purchased therewith. If such credit or liquidity facility is used or drawn upon to retire, but not purchase, Indebtedness, then the liability incurred by such use or draw by the County or the Corporation shall be included in Indebtedness. In addition, there shall not be included within Indebtedness any gross or net payment liability of the County or the Corporation in respect of any Interest Rate Swap Obligation in which it is a counterparty provided that (a) the Interest Rate Swap Obligation is incurred with respect to Indebtedness of the County or the Corporation (the "Hedged Debt"), (b) the Hedged Debt remains outstanding as Indebtedness of the County or the Corporation in a principal amount not less than the notional amount of the related Interest Rate Swap Obligation, and (c) the calculation period(s) and methods of computation of amounts payable and receivable by the County or the Corporation as a counterparty under the Interest Rate Swap Obligation by reference to the notional amount thereof correspond to interest payment obligations of the County or the Corporation under the Hedged Debt with the effect that, assuming full compliance by the counterparties under the related Interest Rate Swap Obligation, (1) any floating rate interest payment obligation of the County or the Corporation under the Hedged Debt, net of payments received under the Interest Rate Swap Obligation, shall equate to a fixed rate of interest, and (2) any fixed rate interest payment obligation of the County or the Corporation under the Hedged Debt, net of payments received under the Interest Rate Swap Obligation, shall equate to a floating rate of interest indexed to the same index used in computing the payment obligations of the floating rate payer under the Interest Rate Swap Obligation. In the event that the County or the Corporation shall become obligated to make a net payment under an Interest Rate Swap Obligation required to be made as a result of the occurrence of any default thereunder or early termination thereof, the amount of such required payment shall constitute Indebtedness for all purposes.

"Indenture" means this Master Trust Indenture dated as of September 1, 2001 by and between the County and the Trustee together with all supplemental indentures as herein permitted.

"Independent Architect" means any independent architect or firm of architects of favorable reputation for skill and experience in work related to the particular activity or function for which it is selected by the County or the Corporation.

"Independent Insurance Adviser" means an independent person, a firm of persons or any advisory committee of favorable reputation for skill and experience in dealing with the insurance

requirements of health care facilities similar in type and size to the Hospital System and in performing the duties to be imposed upon it by this Indenture.

"Interest Payment Date" means, with respect to any Series of Bonds, the interest payment dates provided for in the Supplemental Indenture relating to such Series.

"Interest Rate Swap Obligations" mean obligations of any Person pursuant to any arrangement with any other Person whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating rate or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same amount which arrangement does not constitute an obligation to repay money borrowed, credit extended or the equivalent thereof.

"Lease Agreement" means the Amended and Restated Lease Agreement by and between the County and the Corporation dated as of September __, 2001.

"Lien" means any mortgage, deed of trust or pledge of, security interest in or encumbrance on the Property or Revenues which secures any Indebtedness of the County or the Corporation or which secures any obligation of any Person.

"Local Government Commission" or "LGC" means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, and any successor or successors thereto.

"Long-Term Debt Service Coverage Ratio" means for any period of twelve consecutive calendar months the ratio determined by dividing the Income Available for Debt Service for that period by the Maximum Annual Debt Service.

"Long-Term Debt Service Requirement" means, for any period of twelve (12) consecutive calendar months for which such determination is made, the aggregate of the payments to be made in respect of principal of and interest on Long-Term Indebtedness Outstanding during such period, also taking into account (i) with respect to Balloon Long-Term Indebtedness the amount of principal which would be payable in such period if such principal were amortized from the date of incurrence thereof over a period of thirty (30) years (or, if the term thereof exceeds thirty (30) years, over a period equal to such term) on a level debt service basis at an interest rate set forth in a statement of a banking institution or an investment banking institution knowledgeable in health care finance as the interest rate at which the County or the Corporation could reasonably expect to borrow the same by issuing Long-Term Indebtedness with the same term as assumed above; provided, however, that if the date of calculation is within twelve (12) months of the actual maturity of such Indebtedness, the full amount of principal payable at maturity shall be included in such calculation unless the County or the Corporation shall have an irrevocable, binding commitment from a Person who is rated in an investment grade category by either S&P or Moody's to refinance such Indebtedness, (ii) with respect to Variable Rate Indebtedness that is Long-Term Indebtedness the interest on such Indebtedness shall be calculated at the rate which is equal to the average of the actual interest rates which were in effect (weighted according to the

length of the period during which each such interest rate was in effect) for the most recent twelve-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a twelve-month period), except that with respect to new Variable Rate Indebtedness the interest rate for such Indebtedness for the initial interest rate period shall be the initial rate at which such Indebtedness is issued and thereafter shall be calculated as set forth above and (iii) with respect to any Credit Facility, to the extent that such Credit Facility has not been used or drawn upon, the principal and interest relating to such Credit Facility shall not be included in the Long-Term Debt Service Requirement; provided, however, that interest and principal shall be excluded from the determination of Long-Term Debt Service Requirement to the extent the same is provided from the proceeds of the Long-Term Indebtedness and provided further, however, notwithstanding the foregoing, the aggregate of the payments to be made with respect to principal and interest on Outstanding Long-Term Indebtedness shall not include principal and interest payable from funds available (without reinvestment) in a Qualified Escrow (other than principal and interest so payable solely by reason of the County's or the Corporation's failure to make payments from other sources).

"Long-Term Indebtedness" means: (a) all Indebtedness having a maturity of a term longer than one year incurred or assumed by the County or the Corporation; (b) Short-Term Indebtedness if a commitment by an institutional lender exists to provide financing to retire such Short-Term Indebtedness and such commitment provides for the repayment of principal on terms which would, if such commitment were implemented, constitute Long-Term Indebtedness; and (c) the current portion of Long-Term Indebtedness, for any of the following:

(i) money borrowed for an original term or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;

(ii) leases which are required to be capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, longer than one year; and

(iii) installment sale or conditional sale contracts having an original term in excess of one year; provided, however, that any guaranty by the Corporation of any obligation of any Person which obligation would, if it were a direct obligation of the County or the Corporation, constitute Short-Term Indebtedness, shall be excluded.

"Management Consultant" means a firm of independent certified public accountants or a management consulting firm of favorable reputation for skill and experience in performing the duties to be imposed upon the Management Consultant hereby.

"Maximum Annual Debt Service" means the highest Long-Term Debt Service Requirement for the then current Fiscal Year or any succeeding twelve-month accounting reporting period.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall

be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"Net Book Value" means, at the time of determination, Property, Plant and Equipment, net of accumulated depreciation, of the Hospital System as shown on the Financial Statements for the most recent Fiscal Year for which the Financial Statements are available.

"Net Proceeds" means the gross proceeds derived from insurance or any Eminent Domain award relating to the Hospital System or agreement in lieu of an award in Eminent Domain proceedings, less payments of attorney's fees and expenses properly incurred in the collection of gross proceeds.

"Net Revenues" means, for any given period, the Revenues of such period less, for such period, the Operating Expenses.

"Non-Recourse Indebtedness" means any Indebtedness secured by a Lien, the liability for which is effectively limited to the Property subject to such Lien with no recourse, directly or indirectly, to any other Property or Revenues or rights to receive Revenues.

"Operating Expenses" means the expenses of maintaining and operating the Hospital System, including, without limiting the generality of the foregoing, all administrative, general and commercial expenses, insurance and surety bond premiums, architectural expenses, legal expenses, refunds of over-payments on patient accounts, any taxes that may be lawfully imposed on the Hospital System or the income or operations thereof or the property forming a part thereof, rentals of equipment or other property, rental payments under the Lease Agreement, usual expenses of operations, maintenance and repair, amounts owed to others and collected by the County or the Corporation on their behalf, and any other current expenses required to be paid by the County or the Corporation under the provisions of this Indenture or by law, to the extent the same are properly attributable to the Hospital System, and all expenses, liabilities and compensation of the Trustee required to be paid under this Indenture, including, during the continuance of an Event of Default, the reasonable costs and expenses of proceedings pursuant to any right given or action taken under this Indenture resulting in the collection of moneys and the reasonable expenses and advances incurred or made by the Trustee with respect thereto, and those amounts which are reimbursed to any governmental agency including but not limited to Medicare and Medicaid and any related civil sanctions or criminal penalties imposed by Medicare, Medicaid or their intermediaries. Operating Expenses shall not include reserves for operation, maintenance or repair or any allowance for depreciation, amortization of financing expenses, or the principal of or interest on Indebtedness.

For purposes of testing compliance with the rate covenant described in Section 6.06 and the Limitations on Indebtedness and described in Section 12.01, Operating and Maintenance Expenses will be calculated based upon generally accepted accounting principles, except that such calculation will include and exclude those items specifically included and excluded above.

"Operating Fund" shall mean the County of Henderson, North Carolina, Hospital Revenue Bonds (Margaret R. Pardee Memorial Hospital Project), Operating Fund created by Section 4.01 of this Indenture.

"Opinion of Counsel" means an opinion in writing signed by an attorney or firm of attorneys, acceptable to the Trustee, who may be counsel for the County or the Corporation or other counsel acceptable to the Trustee.

"Outstanding" when used with reference to Bonds means, as of a particular date, all Bonds theretofore issued under this Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds for the payment of which money, Defeasance Obligations, or a combination of both, have been deposited with the Trustee in an amount sufficient to pay on the date when such Bonds are to be paid or redeemed the principal or the Redemption Price of and the interest accruing to such date on, the Bonds to be paid or redeemed, provided that if any of such Bonds are to be redeemed prior to maturity, notice has been given in accordance with the Supplemental Indenture relating to such Bonds or arrangements for the giving of notice have been made; Defeasance Obligations shall be deemed to be sufficient to pay or redeem Bonds on a specified date if the principal of and the interest on such Defeasance Obligations, when due, will be sufficient to pay on such date the principal or Redemption Price of, as the case may be, and the interest accruing on, such Bonds to such date; and

(3) Bonds deemed to have been paid in accordance with Section 11.01 of this Indenture.

"Permitted Investments" means the following investments, but only to the extent such investments are permitted by §159-30 of the General Statutes of North Carolina, as amended from time to time:

(a) Government Obligations;

(b) Obligations of the Federal Financing Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration;

(c) Obligations of the State rated in one of the two highest rating categories by Moody's and S&P;

(d) Bonds and notes of any North Carolina local government or public authority, subject to such restrictions as the Secretary of the Local Government Commission may impose, provided such bonds or notes are rated in one of the two highest rating categories by Moody's and S&P;

(e) Savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State or by any federal bank or savings and loan association having its principal office in the State; provided, however that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof, or by a mutual deposit guaranty association authorized by the Administrator of the Savings Institutions Division of the Department of Commerce of the State, be fully collateralized by obligations described in (a) or (b) above;

(f) Prime quality commercial paper bearing the highest rating of Moody's and S&P and not bearing a rating below the highest by any nationally recognized rating service which rates the particular obligation;

(g) Participating shares in the cash portfolio of North Carolina Capital Management Trust, provided that the investments of such fund are limited to those qualifying for investment under this definition and that said fund is certified by the Local Government Commission;

(h) Repurchase agreements with respect to Government Obligations if (1) entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, as amended, which is a dealer recognized as a primary dealer by a Federal Reserve bank with a short-term rating of not less than "P-1" from Moody's and not less than "A-1" from S&P, or any commercial bank, trust company or national banking association rated "A" or better by Moody's and S&P, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof, or (2) the repurchase agreement constitutes a "repurchase agreement" within the meaning of the United States Bankruptcy Code, if:

a. such obligations that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the County, or any financial institution serving either as trustee for the County or as fiscal agent for the County or are supported by a safekeeping receipt issued by a depository satisfactory to the County, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the County holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

b. a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the County or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the County have been established for the benefit of the County or its assignee;

- c. such securities are free and clear of any adverse third party claims;
and
- d. such repurchase agreement is in a form satisfactory to the County;
and
- e. Any other investment now or hereafter permitted for investment of funds by the County by the General Statutes of North Carolina.

"Permitted Liens" shall have the meaning given in Section 6.11 hereof.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications prepared for any Improvements, as the case may be, as the same may be revised from time to time prior to the completion of construction of any Improvements in accordance with this Indenture.

"Property" means (i) the Property, Plant and Equipment constituting a part of the Hospital System, (ii) any cash or cash equivalents constituting Revenues or rights to receive Revenues or (iii) any securities purchased with Revenues.

"Property, Plant and Equipment" means property, plant and equipment constituting a part of the Hospital System under generally accepted accounting principles.

"Put Indebtedness" means Long-Term Indebtedness twenty-five percent (25%) or more of the principal of which is required, at the option of the owner thereof, to be purchased or redeemed at one time.

"Rating Agency" means Moody's, if such Rating Agency's ratings are in effect with respect to the a Series of Bonds, Standard & Poor's, if such Rating Agency's ratings are in effect with respect to a Series of Bonds, or Fitch, if such Rating Agency's ratings are in effect with respect to a Series of Bonds, and their respective successors and assigns.

"Qualified Escrow" means a segregated escrow fund or other similar fund or account which (a) is irrevocably established as security for Long-Term Indebtedness previously incurred and then outstanding (herein referred to as "Prior Indebtedness") or for Long-Term Indebtedness, if any, then to be incurred to refund Prior Indebtedness then outstanding (herein referred to as "Refunding Indebtedness"), is held by the holder of the Prior Indebtedness or Refunding Indebtedness secured thereby or by a trustee or agent acting on behalf of such holder, (b) is held in cash or invested in Defeasance Obligations, and (c) is required by the documents establishing such fund or account to be applied toward the payment obligations in respect of the Prior Indebtedness, provided that, if the fund or account is funded in whole or in part with the proceeds of Refunding Indebtedness, the documents establishing the same may require specified payments of principal or interest (or both) in respect of the Refunding Indebtedness to be made from the fund or account prior to the date on which the Prior Indebtedness is repaid in full.

"Redemption Price" means, with respect to Bonds or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms, the terms of the Supplemental Indenture providing for the issuance thereof and this Indenture.

"Regular Record Date" means, with respect to any Series of Bonds, the regular record date, if any, provided for in the Supplemental Indenture relating to such Series.

"Revenues" means (a) all revenues, income and other money received in any period, and all rights to receive the same, by the County or the Corporation from, in connection with, or as a result of the ownership or the operation of the Hospital System, including, but without limiting the generality thereof, income (1) from goods and properties sold or leased or services rendered and (2) from agreements and other arrangements with insurance companies, Medicare, Medicaid, Blue Cross, governmental units, agencies and instrumentalities, and prepaid health organizations net of contractual adjustments, and (3) from any award or agreement in lieu of an award resulting from Eminent Domain proceedings, (b) investment income from and revenues realized upon the liquidation or sale of securities held by or on behalf of the County or the Corporation, including those held in any of the funds or accounts established pursuant to this Indenture or any Supplemental Indenture, which are deemed Property of or derived from the Hospital System, (c) business interruption insurance proceeds received by the County or the Corporation, which are deemed property of or derived from the Hospital System, (d) all gifts, grants, bequests, contributions and donations, including the unrestricted income and profits therefrom, exclusive of gifts, grants, bequests, contributions and donations to the extent specifically restricted to a particular purpose inconsistent with their use as Revenues, which are deemed property of or derived from the Hospital System and (e) any award or agreement in lieu of an award resulting from eminent domain proceedings. There shall not be included in Revenues the proceeds of any borrowings the use of which is restricted by the terms of such borrowings for uses, consistent with the payment of Indebtedness or income from investments held in a Qualified Escrow or any monies received in escrow by the Corporation.

For purposes of testing compliance with the rate covenant described in Section 6.06 and the Limitations on Indebtedness and described in Section 12.01, will be calculated based upon generally accepted accounting principles, except that such calculation will include and exclude those items specifically included and excluded above.

"Series," whenever used herein with respect to Bonds or other Long-Term Indebtedness, means all of the Bonds or other Long-Term Indebtedness designated as being of the same series.

"Supplemental Indenture" means any document supplementing or amending this Indenture or providing for the issuance of Bonds entered into as provided in Article X of this Indenture.

"Short-Term Indebtedness" means all Indebtedness, other than the current portion of Long-Term Indebtedness, incurred or assumed by the County or the Corporation, for any of the following:

(i) money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of one year or less;

(ii) leases which are capitalized in accordance with generally accepted accounting principles having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and

(iii) installment purchase or conditional sale contracts having an original term of one year or less.

"Special Record Date" for the payment of any Defaulted Interest on Bonds means a date fixed by the Trustee pursuant to Section 2.03 of this Indenture.

"Standard & Poor's" or "S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., which is a corporation organized and existing under the laws of the State of New York, its successors and its assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the County.

"State" means the State of North Carolina.

"Total Revenue" means as to any period of time, total operating revenues, as determined in accordance with generally accepted accounting principles consistently applied.

"Transfer" means any act or occurrence the result of which is to dispossess any Person of any asset or interest therein, including specifically, but without limitation, the forgiveness of any debt.

"Trustee" means the Trustee at the time serving as such under this Indenture whether the original or a successor trustee.

"Variable Rate Indebtedness" means any portion of Indebtedness the interest rate on which is not established at the time of incurrence at a fixed or constant rate until its maturity.

Section 1.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "owner," "Holder" and "Person" shall include the plural as well as the singular number.

ARTICLE II.

AUTHORIZATION, FORM, ISSUANCE, DELIVERY AND REGISTRATION OF BONDS

Section 2.01. Authorization of Bonds. For any purpose set forth in the Act, there may be issued under and pursuant to the Constitution and the laws of the State, including the Act, and this Indenture, Bonds of the County subject to the conditions herein provided. The principal of,

the interest on and the redemption premium, if any, on all Bonds issued under the provisions of this Indenture shall be payable solely from the moneys and assets pledged by this Indenture and the respective Supplemental Indentures for their payment, and all of the covenants, agreements and provisions of this Indenture shall be for the benefit and security of all and singular the present and future Holders of the Bonds so issued or to be issued, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided or as provided in any Supplemental Indenture, of any one Bond over any other Bond by reason of priority in the issue, sale or negotiation thereof, or otherwise.

Section 2.02. Form of Bonds Generally. The definitive Bonds are issuable as permitted or required by the respective Supplemental Indenture providing for the issuance of Bonds of any Series. All such Bonds may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Bonds may be listed or any usage or requirement of law with respect thereto.

Section 2.03. Details and Form of Bonds. The Bonds authorized hereunder may be issued in one or more Series that may be delivered from time to time. The County shall by Supplemental Indenture authorize such Series and shall specify the following: the authorized principal amount of such Series; the Improvements or other purposes to be financed from the proceeds of the Bonds of such Series or the Bonds or other Indebtedness to be refunded or refinanced with the proceeds thereof; the date and terms of maturity or maturities of the Bonds of such Series, or the dates of payment of the Bonds on the demand of the Holder; the interest rate or rates of the Bonds of such Series, which may include variable, adjustable, convertible or other rates, capital appreciation, original issue discount and zero interest rate Bonds; provided, however, that the interest rate or rates on the Bonds of such Series shall never exceed for such series the maximum interest rate permitted by law in effect at the time the Bonds of such Series are issued; the denominations, numbering, lettering and Series designation of such Series of Bonds; the paying agents and place or places of payment of such Bonds; the Redemption Prices for such Series of Bonds and any terms of redemption not inconsistent with the provisions of this Indenture which may include mandatory redemption or purchase at the election of the Holder thereof; the amount and date of each mandatory redemption requirement, if any, for such Series of Bonds; the use to be made of proceeds of such Series of Bonds, including deposits required to be made into any fund or account that may be created under the Supplemental Indenture pursuant to which such Series of Bonds is issued; and any other terms or provisions applicable to the Series of Bonds, not inconsistent with the provisions of this Indenture or the Act. All of the foregoing may be added by Supplemental Indentures approved, executed and delivered at any time or from time to time prior to the issuance of such Series of Bonds.

Each Bond shall bear interest from such date and shall be payable at such times and in such manner as shall be provided in the Supplemental Indenture pursuant to which it is issued.

The principal of all Bonds shall be payable at the principal corporate trust office of the Trustee and/or such other places as are provided in a Supplemental Indenture. Payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

Interest on any Bond of any Series which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Bond of any Series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date solely by virtue of such Holder having been such Holder; and such Defaulted Interest may be paid by the County, at its election in each case, as provided in Subsection A or B below:

(A) The County may elect to make payment of any Defaulted Interest on the Bonds of any Series to the persons in whose names such Bonds are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The County shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be such as will enable the Trustee to comply with the next sentence hereof), and at the same time the County shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment and not less than fifteen (15) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the County of such Special Record Date and, in the name and at the expense of the County, such expense to be paid solely from Revenues, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the registration books maintained under Section 2.06 of this Indenture not less than ten (10) days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the persons in whose names the Bonds of such series are registered on such Special Record Date and shall no longer be payable pursuant to the following Subsection B.

(B) The County may make payment of any Defaulted Interest on the Bonds of any Series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Bonds may be listed and upon such notice as may be required by such exchange, if after notice given by the County to the Trustee of the proposed payment pursuant to this Subsection, such payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Bond delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights

to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date, that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The Bonds shall be executed by the manual or facsimile signatures of the Chairman or Vice-Chairman of the Board of Commissioners of the County and the Clerk or any Deputy Clerk to said Board, and the official seal of the County or a facsimile thereof shall be impressed or imprinted on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery, and also any Bond may be signed by such persons as at the actual time of the execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

Section 2.04. Authentication of Bonds. Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form set forth in the Supplemental Indenture pursuant to which such Bonds are issued, duly executed by the Trustee, or a duly appointed authenticating agent, and by the LGC as provided in such Supplemental Indenture, shall be entitled to any benefit or security under this Indenture. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Bond shall have been duly executed and dated by the Trustee, or such duly appointed authenticating agent, and by the LGC and such certificate upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Indenture. The certificate of authentication on any Bond shall be deemed to have been duly executed and dated if signed by an authorized signatory of the Trustee, or a duly appointed authenticating agent, but it shall not be necessary that the same signatory sign the certificate of authentication on all of the Bonds or any Series thereof that may be issued hereunder at any one time.

Section 2.05. Exchange of Bonds. Bonds, upon surrender thereof at the principal corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Indenture pursuant to which such Bonds are issued, and bearing interest at the same rate, and in the same form as the Bonds surrendered for exchange. The County shall make provision for the exchange of the Bonds at the principal corporate trust office of the Trustee.

Section 2.06. Negotiability and Registration of Transfer of Bonds. Except as otherwise specified under the applicable Supplemental Indenture, the provisions regarding the negotiability, registration and transfer of Bonds are as follows:

(a) The Trustee is hereby appointed as Bond Registrar and as such shall keep books for the registration and transfer of Bonds as provided in this Indenture. Said registration books shall be available at all reasonable times for the inspection of the County, the Corporation and any Holder and may be copied by any of the foregoing and their agents or representatives.

(b) The transfer of any Bond may be registered only upon the books kept for the registration of transfer of Bonds upon surrender thereof to the Trustee together with an assignment duly executed by the Holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee. No transfer of any Bond shall alter the ownership of such Bond for purposes of this Indenture unless such transfer is registered with the Trustee. Upon any such registration of transfer, the County shall, if necessary, execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds, registered in the name of the transferee, of the same Series and maturity, of any denomination or denominations authorized by the Supplemental Indenture pursuant to which such Bond is issued, and bearing interest at the same rate, and in the same form as the Bond or Bonds surrendered for registration of transfer.

(c) In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered hereunder, the County shall, if necessary, execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Trustee. No service charge shall be made for any registration, transfer or exchange of Bonds, but the County and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Neither the County nor the Trustee shall be required (i) to issue, transfer or exchange Bonds during a period beginning at the opening of business fifteen (15) days or such lesser period of time as shall be provided in any Supplemental Indenture before the day of the first mailing of a notice of redemption of such Series of Bonds or any portion thereof and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Section 2.07. Ownership of Bonds. The County, the Trustee and any agent of the County and the Trustee may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of and premium, if any, and interest on, such Bond, and for all other purposes whatsoever, whether or not such Bond be overdue, and, to the extent permitted by law, neither the County, the Trustee nor any such agent shall be affected by notice to the contrary.

Section 2.08. Terms and Conditions for Issuance of Bonds. Before any Bonds may be issued hereunder, the County shall approve, execute and deliver a Supplemental Indenture authorizing the issuance of such Bonds in accordance with Section 2.03 of this Indenture. The Bonds of each Series shall be designated "County of Henderson, North Carolina, Hospital Revenue Bonds (Margaret R. Pardee Memorial Hospital Project) Series _____," and shall mature, subject to the right of prior redemption, in such year or years not later than forty (40) years from their date. If Bonds are issued for the purpose of refunding all or any part of any Indebtedness then Outstanding, the word "Refunding" may be added to the designation for such Bonds. Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption, all such Bonds shall be on a parity with and shall be entitled to the same benefit and security of this Indenture, including, in particular, the pledge of Net Revenues.

The Bonds shall be executed substantially in the form and in the manner hereinabove set forth and shall be deposited with the Trustee or a duly appointed authenticating agent as provided in the related Supplemental Indenture for authentication, but before the Bonds shall be authenticated and delivered by the Trustee or such duly appointed authenticating agent, there shall be filed with the Trustee the following:

- (a) an original executed counterpart of this Indenture and the Supplemental Indenture delivered by the County for the particular Series of Bonds;
- (b) a copy, certified by the Secretary or any Deputy Secretary of the Local Government Commission to be a true and correct copy, of the resolution of the Local Government Commission approving the issuance of and awarding of the Series of Bonds;
- (c) a copy, certified by the Clerk to the Board of Commissioners of the County to be a true and correct copy, of the resolution of the County (which resolution may be incorporated in the Supplemental Indenture for the Series of Bonds), approving the awarding of the Series of Bonds and directing the authentication and delivery of the Series of Bonds to or upon the order of the purchasers therein named upon payment of the purchase price therein set forth plus the accrued interest thereon;
- (d) for any Series of Bonds other than the initial Series of Bonds issued hereunder, evidence of compliance with the provisions of Article XII; and
- (e) such other documents as are reasonably required to be delivered to the Trustee pursuant to the Supplemental Indenture.

When the documents mentioned in paragraphs (a) to (e), inclusive, of this Section shall have been filed with the Trustee and when the Bonds shall have been executed and authenticated as required by this Indenture, the Trustee shall deliver the Bonds at one time to the State Treasurer for redelivery to or upon the order of the purchasers named in the resolution mentioned in paragraph (c) of this Section, but only upon payment to the Trustee of the purchase price of the Bonds and the accrued interest, if any, thereon. The Trustee shall be entitled to rely upon the resolutions mentioned in paragraphs (b) and (c) of this Section as to all matters stated therein.

The proceeds (including accrued interest) of the Bonds shall be applied by the Trustee as provided in the Supplemental Indenture related to such Bonds simultaneously with the delivery of such Bonds.

Section 2.09. Temporary Bonds. Until definitive Bonds of any Series are ready for delivery, there may be executed, and upon request of the County, the appropriate officer shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, typewritten, printed, engraved or lithographed temporary Bonds, as the County by resolution may provide, substantially of the tenor of the Bonds set forth in the Supplemental Indenture and with such appropriate omissions, insertions and variations as may be required.

Until definitive Bonds are ready for delivery, any temporary Bond may, if so provided by the County by resolution, be exchanged at the principal corporate trust office of the Trustee,

without charge to the Holder thereof, for an equal aggregate principal amount of temporary Bonds of like tenor, of the same Series and maturity and bearing interest at the same rate.

If temporary Bonds shall be issued, the County shall cause the definitive Bonds to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its principal corporate trust office of any temporary Bond, shall cancel the same and authenticate and deliver in exchange therefor at the place designated by the Holder, without charge to the Holder thereof, a definitive Bond or Bonds of an equal aggregate principal amount, of the same Series and maturity and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

Section 2.10. Mutilated, Destroyed, Stolen or Lost Bond. In case any Bond secured hereby shall become mutilated or be destroyed, stolen or lost, the County shall cause to be executed, and the Trustee or a duly appointed authenticating agent as provided in the related Supplemental Indenture shall authenticate and deliver, a new Bond of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Bond or in lieu of and in substitution for such Bond destroyed, stolen or lost, and the Holder shall pay the reasonable expenses and charges of the County and the Trustee in connection therewith and, in the case of a Bond destroyed, stolen or lost, the Holder shall file with the Trustee evidence satisfactory to it and to the County that such Bond was destroyed, stolen or lost, and of his ownership thereof, and shall furnish the County and the Trustee indemnity satisfactory to them and in compliance with the laws of the State.

Section 2.11. Book-Entry System. Anything contained in this Indenture to the contrary notwithstanding and as described more fully in the applicable Supplemental Indenture, any Series of Bonds may be issued by means of a book-entry system with no physical distribution of Bond certificates to be made except as hereinafter provided. If a book-entry system is to be used with respect to any Series of Bonds, one Bond certificate with respect to each date on which the Bonds of such Series are stated to mature, in the aggregate principal amount of the Bonds of such Series stated to mature on such date and registered in the name of Cede & Co., a nominee of The Depository Trust Company, New York, New York, or other recognized securities depository or its nominee selected by the County (collectively, and including any nominee thereof, the "Securities Depository") will be issued and required to be deposited with the Securities Depository and immobilized in its custody. The book-entry system will be maintained by the Securities Depository and its participants and will evidence beneficial ownership of the Bonds of such Series in the denominations as shall be provided in the Supplemental Indenture for such Series or any multiple thereof, with transfers of ownership effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the securities Depository and its participants. The principal of and any redemption premium on each Bond of such Series shall be payable to the Securities Depository at the principal corporate trust office of the Trustee or such other place as the County may determine upon the presentation and surrender thereof as the same shall become due and payable. Payment of the interest on each Bond of such Series shall be made by the Trustee on each interest payment date to the Securities Depository at the close of business on the record date for such interest, which, unless otherwise

specified in the Supplemental Indenture for Bonds of such Series shall be the 15th day (whether or not a business day) of the calendar month next preceding such interest payment date by check mailed to such person at its address as it appears on such registration books or by such other method of payment as the County may determine to be necessary or advisable. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial Holders of such Series by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The County and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by the Securities Depository, its participants or persons acting through such participants.

In the event that (a) any Securities Depository determines not to continue to act as securities depository for the Bonds of any Series or (b) the Finance Director of the County determines that continuation of the book-entry system of evidence and transfer of ownership of Bonds of any Series would adversely affect the interests of the Holders of such Bonds, the County will discontinue the book-entry system with such Securities Depository with respect to such Series of Bonds. If the County identifies another qualified Securities Depository to replace the predecessor Securities Depository, the County will make arrangements with the predecessor Securities Depository and such other Securities Depository to effect such replacement and deliver replacement Bonds of such Series registered in the name of such other Securities Depository in exchange for the Outstanding Bonds of such Series, and all references to any specified Securities Depository in this Indenture and in the Supplemental Indenture pursuant to which Bonds of such Series were issued shall thereupon be deemed to mean such other Securities Depository. If the County fails to identify another qualified Securities Depository to replace the predecessor Securities Depository, the County will deliver replacement Bonds of such Series in the form of fully-registered certificates in denominations as shall be provided in the Supplemental Indenture for such Series or any multiple thereof in exchange for the Outstanding Bonds of such Series as required by the predecessor Securities Depository and others.

Section 2.12. Cancellation of Bonds. All Bonds paid, redeemed or purchased, either at or before maturity, shall be delivered to the Trustee when such payment, redemption or purchase is made and such Bonds shall be cancelled. The Trustee shall certify to the Local Government Commission and the County the details of all Bonds so cancelled. All Bonds cancelled under any of the provisions of this Indenture shall, as directed in writing by the County Representative, be either delivered to the County or destroyed by the Trustee, which shall, in such event, execute three copies of a certificate, describing the Bonds so destroyed, and executed certificates shall be filed with the County and the Local Government Commission and retained by the Trustee.

ARTICLE III.

REDEMPTION OF BONDS

Section 3.01. Redemption of Bonds. The Bonds of any Series issued under the provisions of this Indenture may be made subject to redemption, both in whole and in part and at

such times and prices, as may be provided in the Supplemental Indenture authorizing, the issuance of such Bonds.

Section 3.02. Selection of Bonds to be Redeemed. The Trustee shall select the Bonds to be redeemed in accordance with the terms and provisions of this Indenture and the Supplemental Indenture relating to such Bonds.

Section 3.03. Redemption Notice. The requirements for notice of redemption shall be set forth in the Supplemental Indenture for each Series of Bonds.

Section 3.04. Effect of Calling for Redemption. On or before the date fixed for redemption, money or Defeasance obligations shall be deposited with the Trustee to pay the principal of and the premium, if any, and interest accruing thereon to the redemption date of the Bonds called for redemption.

On the date fixed for redemption, notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions thereof called for redemption shall become and be due and payable at the Redemption Price provided therefor, plus accrued interest to such date. If money or Defeasance obligations (that have maturity dates or redemption dates which, at the option of the holder of such Defeasance Obligations, shall not be later than the date or dates on which moneys will be required to effect such redemption), or a combination of both, sufficient to pay the Redemption Price of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, are held by the Trustee in trust for the Holders of Bonds to be redeemed, interest on the Bonds called for redemption shall cease to accrue; such Bonds shall cease to be entitled to any benefits or security under this Indenture or to be deemed outstanding; and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof, plus accrued interest to the date of redemption. Bonds and portions of Bonds for which irrevocable instructions to pay on one or more specified dates or to call for redemption on a specified redemption date have been given to the Trustee in form satisfactory to it shall not thereafter be deemed to be Outstanding under this Indenture and shall cease to be entitled to the security of or any rights under this Indenture, other than rights to receive payment of the Redemption Price thereof and accrued interest thereon, to be given notice of redemption in the manner provided in the Supplemental Indenture, and, to the extent hereinafter provided, to receive Bonds for any unredeemed portions of Bonds if money or Defeasance Obligations (that have maturity dates or redemption dates which, at the option of the holder of such Defeasance Obligations, shall not be later than the date or dates on which moneys will be required to effect such redemption), or a combination of both, sufficient to pay the Redemption Price of such Bonds or portions thereof, together with accrued interest thereon to the date upon which such Bonds are to be paid or redeemed, are held in separate accounts by the Trustee in trust for the Holders of such Bonds.

Section 3.05. Redemption of Portion of Bonds. If a portion of an Outstanding Bond shall be selected for redemption, the Holder thereof or his attorney or legal representative shall present and surrender such Bond to the Trustee for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount, and the County shall, if necessary, execute and the appropriate officer shall authenticate and deliver to or

upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond of the same Series and maturity and bearing interest at the same rate.

Section 3.06. Cancellation. Bonds so presented and surrendered in accordance with the provisions of this Article shall be cancelled upon the surrender thereof.

Section 3.07. Revocation of Redemption Notice. Notwithstanding any other provision of this Indenture, if, on any day prior to the fifth (5th) Business Day preceding any date fixed for redemption of Bonds pursuant to Sections 3.01 or 3.02 hereof (but excluding any redemption of term Bonds pursuant to any sinking fund requirement), the County notifies the Trustee in writing that the County has elected to revoke its election to redeem such Bonds because it has determined that the source of money for such redemption is not available, the Bonds shall not be redeemed on such date and any notice of redemption given to the Holders pursuant to Section 303 hereof shall be null and void. In such event, within two (2) Business Days after the date on which the Trustee receives notice of such revocation, the Trustee shall cause a notice of such revocation signed by the Trustee to be mailed to all Holders owning such Bonds.

ARTICLE IV.

REVENUES AND FUNDS

Section 4.01. Establishment of Funds. In addition to funds and accounts created by Supplemental Indentures, there is hereby established the "County of Henderson, North Carolina, Hospital Revenue Bonds (Margaret R. Pardee Memorial Hospital Project) Operating Fund" (sometimes referred to herein as the "Operating Fund").

Each Supplemental Indenture may provide for the creation of such additional funds and accounts as the County shall determine, which funds and accounts shall provide security, to the extent permitted by law, only for the Series of Bonds issued under said Supplemental Indenture.

If any Supplemental Indenture creates a Debt Service Reserve Fund, the County may not deposit a Debt Service Reserve Fund Surety Policy within such Debt Service Reserve Fund in lieu of or in partial substitution for cash or securities to be deposited therein without the approval of the LGC.

With the exception of the Operating Fund, all funds and accounts shall be established with and held by the Trustee. The Operating Fund shall be established with and held by the Depository selected by the Corporation.

The money in each of said funds and accounts (other than the Operating Fund) shall be held in trust and applied as hereinafter provided, and, pending such application, shall be subject to a lien and charge in favor of the Holders of the Series of Bonds issued under said Supplemental Indenture and held for the further security of such Holders, all as provided herein and in the applicable Supplemental Indenture.

Section 4.02. Application of Revenues. If (a) no Event of Default has occurred and is continuing and (b) the Long Term Debt Service Coverage Ratio is not less than the amount required pursuant to Section 6.06(a) hereof, at the times specified in the applicable Supplemental Indenture, the County shall deposit or cause to be deposited with the Trustee the amounts required to satisfy the requirements of the applicable Supplemental Indenture (subject to any credits permitted in said Supplemental Indenture).

The County agrees that, so long as any of the Bonds are Outstanding, all of the Net Revenues shall, subject only to the provisions of this Indenture, be pledged pursuant to Section 4.05 hereof to secure the payment of the Bonds and any other indebtedness secured *pari passu* therewith or subordinate thereto and the performance by the County of its obligations under this Indenture.

If the Trustee shall, pursuant to Section 8.08 hereof, have notice that an Event of Default shall have occurred and be continuing, or if the Long-Term Debt Service Coverage Ratio, as provided to the Trustee pursuant to Section 6.06(b) hereof, shall, for two consecutive Fiscal Years, be less than the amount required pursuant to Section 6.06(a) hereof, the Trustee shall notify the County of such event and thereafter the County shall cause all Revenues to be deposited, as received, with the Trustee. The Trustee shall apply such Revenues first to the Operating Fund in such amounts as it shall determine to pay Operating Expenses and thereafter to make the deposits pro rata to any funds and accounts created by any Supplemental Indenture and to any payments of principal or interest due with respect to other Indebtedness that is secured by the Net Revenues on a parity with the Bonds. All Revenues shall continue to be so deposited with the Trustee until all Events of Default have been cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor and the Long-Term Debt Service Coverage Ratio shall be not less than the amount required pursuant to Section 6.06(a) hereof, whereupon the Revenues shall be returned to the name and credit of the County. During any such period that Revenues are held by the Trustee, the County shall not be entitled to use or withdraw any of the Revenues unless and to the extent that the Trustee in its sole discretion so directs for the payment of current or past due Operating Expenses.

Section 4.03. Application of Money in Operating Fund. Upon the happening of one of the events set forth in Section 4.02, the Operating Expenses shall be paid by the Trustee from the Operating Fund as the same become due and payable. Payments from the Operating Fund shall be made on behalf of the County only in conformity with applicable law.

Section 4.04. Disposition of Fund Balances. After provision shall be made for the payment of all Outstanding Bonds, including the redemption premium, if any, and interest thereon, and for the payment of all other obligations, expenses and charges required to be paid under or in connection with this Indenture or any Supplemental Indenture, and assuming the existence of no other indentures, bond orders or other agreements imposing a continuing lien on the balances hereinafter mentioned, the Trustee shall pay any balance in any fund or account as the Corporation shall direct; provided, however, that if a continuing lien has been imposed on any such balance by another indenture, bond order or agreement, and the Trustee receives notice or has knowledge of such continuing lien, the Trustee shall pay such balance to such person as such indenture, bond order or agreement shall provide.

Section 4.05. Security for the Bonds. As security for the payment of the Bonds and the interest thereon, the County hereby pledges the Net Revenues to the Holders and to the Trustee, on behalf of the Holders. It is the intent of the County that this pledge, charge and lien upon the Net Revenues shall be effective and operate immediately and that the Trustee shall have the right to collect and receive the Net Revenues in accordance with the provisions hereof at all times during the period from and after the date of the Bonds issued hereunder until no Bonds are Outstanding hereunder.

Section 4.06. Escheat. All money that the Trustee shall have received from any source and set aside for the purpose of paying any of the Bonds, either at the maturity thereof or by purchase or call for redemption, shall be held in trust for the respective Holders. Any money that is so set aside or transferred and that remains unclaimed by the Holders for a period of five years after the date on which such Bonds have become payable shall be treated as abandoned property pursuant to the provisions of Section 116B-53 of the North Carolina General Statutes and the Trustee shall report and remit this property to the Escheat Fund according to the requirements of Article 1 of Section 116B of the North Carolina General Statutes, and thereafter the Holders shall look only to the Escheat Fund for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

ARTICLE V.

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 5.01. Security for Deposits and Investments. All money paid by the County to the Trustee pursuant to the terms of this Indenture, or received by the Trustee pursuant to Section 4.2 of this Indenture, shall be trust funds under the terms of this Indenture and shall not be subject to any lien or attachment by any creditor of the County or the Corporation. Such funds shall be held in trust and applied in accordance with the provisions of this Indenture and any applicable Supplemental Indenture.

All money deposited with the Trustee or any other Depositary hereunder shall be secured, invested and deposited as provided in the applicable Supplemental Indenture.

All money deposited with the Trustee or any Depositary shall be credited to the particular fund or account to which such money belongs.

ARTICLE VI.

COVENANTS AND REPRESENTATIONS

Section 6.01. Payment of Principal, Interest and Premium and Pledge of Net Revenues. The County covenants that it shall cause to be paid, when due, the principal of (whether at maturity, by acceleration, by call for redemption or otherwise) and the premium, if any, and the interest on the Bonds at the places, on the dates and in the manner provided herein, in the

applicable Supplemental Indenture and in said Bonds, according to the true intent and meaning thereof. The Bonds are limited obligations of the County, and the principal of, the premium, if any, and interest thereon are payable solely from Net Revenues, money attributable to the proceeds of Bonds, the income from the temporary investment thereof and from any other sources pledged in the applicable Supplemental Indenture. The Bonds shall be secured as provided in Section 4.05 of this Indenture. The Bonds issued under this Indenture shall not be deemed to constitute a debt of the County for which the faith and credit and taxing power of the County is pledged, and the issuance of the Bonds shall not directly or indirectly or contingently obligate the County to levy any tax or to pledge any form of taxation for the payment thereof.

The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the County or upon its income, receipts or revenues, except as provided herein.

Section 6.02. Tax Covenant. The County covenants that it will do and perform all acts and things permitted by law necessary to assure that interest paid on the Bonds be and remain excluded from gross income of the Holders thereof for federal income tax purposes.

Section 6.03. Employment of Independent Architect, Accountant and Management Consultant. For the purpose of performing and carrying out the duties imposed on the Independent Architect by this Indenture or any Supplemental Indenture, the County will cause to be employed an architect or architectural firm having a favorable repute for skill and experience in such work, that for the purpose of causing to be performed and carried out the duties imposed on the Accountant under this Indenture or any Supplemental Indenture, the County will cause to be employed as the Accountant a firm of independent certified public accountants having a favorable repute for skill and experience in such work and that for the purpose of causing to be performed and carried out the duties imposed on the Management Consultant under this Indenture or any Supplemental Indenture, the County will cause to be employed as the Management Consultant a firm of favorable repute for skill and experience in performing the duties imposed on it herein or therein.

Section 6.04. Maintenance of the Hospital System. The County and the Corporation shall keep and maintain the Hospital System at all times in a good state of repair and sound operating condition, ordinary wear and tear, obsolescence in spite of repair, and acts of God excepted. Neither the County nor the Corporation shall permit, commit, or suffer any waste of the whole or any part of the Hospital System and shall not use or permit the use of the Hospital System, or any part thereof, for any unlawful purpose or permit any nuisance to exist thereon.

The County and the Corporation shall make such repairs or replacements as are required or convenient for the proper operation, repair, and maintenance of the Hospital System in an economical and efficient manner consistent with standards of health care facilities operation and administration generally required for State licensure and for accreditation or certification of health care facilities comparable to the Hospital System.

Section 6.05. Use and Operation of Hospital System. The County and the Corporation shall operate the Hospital System exclusively as a public health care delivery system rendering

health care services to the general public. The County and the Corporation shall so operate the Hospital System without discrimination as to race, creed, color, sex, or national origin.

Section 6.06. Rates and Charges. (a) The County or the Corporation shall fix, charge, and collect rates, fees, and charges for the use of, and for the goods and services furnished by, the Hospital System and shall revise such rates, fees, and charges as often as may be necessary or appropriate to produce a Long-Term Debt Service Coverage Ratio in each Fiscal Year of not less than 1.20 of Long-Term Indebtedness incurred to pay the Cost of Improvements; the debt service thereon shall not be included in the computation of the Long-Term Debt Service Coverage Ratio until the first Fiscal Year following the completion of such Improvements unless the County or the Corporation, as the case may be, is required to pay any portion of the principal thereof or interest thereon from sources other than the proceeds of such Long-Term Indebtedness prior to such Fiscal Year, in which case such Long-Term Indebtedness shall be included in such computation beginning in the first Fiscal Year when such payments are made.

(b) If in any Fiscal Year the Long-Term Debt Service Coverage Ratio is less than that required under paragraph (a) of this Section, within thirty (30) days of the receipt of the audit report for such Fiscal Year, the County or the Corporation shall employ a Management Consultant to review and analyze the financial status, administration and operations of the Hospital System, to inspect the Hospital System, and to submit, within sixty (60) days thereafter, a written report to the County and the Corporation recommending revisions of the rates, fees, and charges of the Hospital System and the methods of operation of the Hospital System that will produce the Long-Term Debt Service Coverage Ratio so required in the following Fiscal Year. Promptly upon its receipt of such recommendations, the County shall transmit copies thereof to the Trustee and the Local Government Commission and shall, to the extent permitted by law, revise the Hospital System's rates, fees, and charges, or alter its methods of operation and take such other action as shall conform to such recommendations.

(c) If the County and the Corporation fail to comply with the recommendations of the Management Consultant, the Trustee may institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the County and the Corporation to comply with the recommendations and the requirements of the preceding paragraph of this section.

(d) If the County and the Corporation comply, to the extent permitted by law, with all recommendations of the Management Consultant in respect to the Hospital System's rates, fees, charges, and methods of operation, the failure of the Long-Term Debt Service Coverage Ratio to meet the requirements of paragraph (a) of this Section shall not constitute an Event of Default so long as the Revenues shall not be less than the amount required to pay the total Operating Expenses and to pay the debt service on all Indebtedness of the County and the Corporation for such Fiscal Year.

(e) The County and the Corporation shall maintain accounting and management procedures adequate to determine the need for any change in such rates, fees, and charges and to permit the timely application to any regulatory authorities having

jurisdiction for a change in or modification of the Hospital System's rates, fees, and charges that may be necessary to enable the County and the Corporation to comply with paragraphs (a) and (b) of this Section. The County or the Corporation shall make timely application for and diligently pursue to a prompt conclusion any procedures required to obtain all regulatory approvals necessary to enable the County and the Corporation to comply with the provisions of such paragraphs.

(f) If a report of a Management Consultant is delivered to the Trustee, which report shall state that Governmental Restrictions have been imposed that make it impossible for the coverage required in paragraph (a) hereof to be satisfied, then such coverage requirement shall be reduced to the maximum coverage permitted by such Governmental Restrictions but in no event shall Revenues be less than the amount required to pay the total Operating Expenses and to pay the debt service on all Indebtedness of the County and the Corporation for such Fiscal Year.

Section 6.07. Budgets and Covenant as to Operating Expenses. On or before the 30th day next preceding the beginning of each Fiscal Year, the County or the Corporation shall prepare a preliminary budget for the ensuing Fiscal Year for the Hospital System in the manner then required by law and shall file a copy of such preliminary budget with the Trustee.

Each budget shall be prepared in such manner as to specify Operating Expenses and the amounts to be deposited in the various funds and accounts created by this Indenture and any Supplemental Indenture during the Fiscal Year for which such budget was prepared. If an Event of Default has occurred and is continuing or if the Long-Term Debt Service Coverage Ratio is less than the amount required pursuant to Section 6.06(a) hereof, the budget shall specify Operating Expenses on a monthly basis. The budget shall be accompanied by a pro forma statement of Income Available for Debt Service and Operating Expenses and a statement of rates, fees, and charges estimated to be necessary to meet the requirements of Section 6.06 of this Indenture and shall include or refer to a capital funds budget that shows separately the amounts to be expended during the Fiscal Year for capital improvements to the Hospital System.

On or before the first day of each Fiscal Year, the County or the Corporation shall adopt the budget, which shall be based on the preliminary budget, for the Hospital System (which budget and any amendments thereof or supplements thereto as hereinafter permitted are herein collectively called the "Annual Budget"). Copies of the Annual Budget shall be filed with the Trustee and mailed by the County or the Corporation to any rating agencies then rating any of the Bonds, the Local Government Commission, upon its request, and each Holder requesting the same.

If for any reason the County or the Corporation shall not have adopted the Annual Budget before the first day of any Fiscal year, the preliminary budget for such Fiscal Year or, if there is none, the budget for the preceding Fiscal Year, shall be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Article until the adoption of the Annual Budget.

The County or the Corporation may at any time adopt an amended or supplemental Annual Budget for the remainder of the then current Fiscal Year and shall do so when any quarterly financial statement indicates that the County or the Corporation is unable to maintain or operate the Hospital System and comply with the requirements of Section 6.05 hereof if it is maintained and operated within the budgetary guidelines and statements related thereto. When so adopted the Annual Budget as so amended or supplemented shall be treated as the Annual Budget under the provisions of this Article. Copies of any such amended or supplemental Annual Budget for the current Fiscal Year shall be filed with the Trustee and mailed by the County or the Corporation to the Local Government Commission.

Section 6.08. Records, Accounts, and Audits. The County shall keep or cause to be kept accurate records and accounts of all Operating Expenses, all other expenditures relating to the Hospital System, of the Revenues, and of the application of such Revenues. Such records and accounts shall be open at all reasonable times to the inspection of the Trustee and the Local Government Commission.

The County further covenants that within one hundred and eighty (180) days after the close of each Fiscal Year it will cause an audit to be completed of the books and accounts pertaining to the Hospital System by the Accountant. Reports of each such audit shall be filed with the Trustee, and copies of each such report shall be mailed to any rating agencies then rating any of the Bonds, the Local Government Commission and each Holder requesting the same. Each such audit report shall be accompanied by an opinion of the Accountant stating that the audit of the financial statements was conducted in accordance with generally accepted auditing standards and stating whether such financial statements present fairly the financial position with respect to the Hospital System and the results of operations and statements of cash flow with respect to the Hospital System for the period covered by such audit report in conformity with generally accepted accounting principles consistently applied.

If for any reason beyond its control, the County is unable to obtain the foregoing opinion as to compliance with generally accepted accounting principles, the County and the Corporation shall be deemed to be in compliance with this Section if they are taking all reasonable and feasible action to obtain such opinion in subsequent Fiscal Years, and if, in lieu of a statement as to compliance and conformity, such opinion states the reasons for such noncompliance or non-conformity.

The Financial Statements shall include for said Fiscal Year a calculation to determine compliance with Section 6.06(a) of this Indenture. The County shall cause to be furnished to the Trustee a certificate of a Corporation Representative and a letter from the Corporation's Accountant stating that, to the best of said signer's knowledge, during the Fiscal Year under audit no Event of Default occurred or if an Event of Default did occur, such certificate shall specify the nature of the Event of Default.

The County shall cause any additional reports or audits relating to the Hospital System to be made as required by law or by any applicable rules or regulations of any governmental authority having jurisdiction in the premises. The cost of such audits shall be treated as an Operating Expense.

Section 6.09. Insurance. (a) The County agrees that it will maintain, or cause to be maintained, the following types of insurance (which may include one or more self-insurance programs considered to be adequate by the Insurance Adviser) in such amounts as, in its judgment, are adequate to protect it and its Property and operations: (i) comprehensive general public liability insurance, including blanket contractual liability and automobile insurance including owned and hired automobiles (excluding collision and comprehensive coverage thereon) , (ii) fire, lightning, windstorm, hail, explosion, riot, riot attending a strike, civil commotion, damage from aircraft, smoke and uniform standard coverage and vandalism and malicious mischief endorsements, (iii) workers' compensation insurance, (iv) business interruption insurance, and (v) boiler insurance. The County will maintain, or cause to be maintained, professional liability or medical malpractice insurance in the minimum amount of \$1,000,000 per person and per occurrence and \$3,000,000 annual aggregate.

(b) The County shall engage or cause the Corporation to engage an Insurance Adviser to review the insurance requirements of the County as they relate to the Hospital System from time to time (but not less frequently than annually when the Hospital System is involved in any self-insurance program and biannually otherwise). The findings of any such review shall be submitted to the Trustee in a written report of the Insurance Adviser. If the Insurance Adviser makes recommendations for the increase of any coverage, or the purchase of additional types of coverage, the County shall increase or purchase or cause to be increased or purchased such coverage in accordance with such recommendations. Notwithstanding anything in this Section to the contrary, the County shall have the right, without giving rise to an Event of Default solely on such account, (i) to maintain, or cause to be maintained, insurance coverage below that most recently recommended by the Insurance Adviser, if the County or the corporation furnishes to the Trustee a report of the Insurance Adviser to the effect that the insurance so provided affords either the greatest amount of coverage available for the risk being insured against at rates which in the judgment of the Insurance Adviser are reasonable in connection with reasonable and appropriate risk management, or the greatest amount of coverage necessary by reason of state or federal laws now or hereafter in existence limiting medical and malpractice liability, or (ii) to adopt alternative risk management programs which the Insurance Adviser determines to be reasonable, 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 by the Insurance Adviser as reasonable and appropriate risk management by the County as it relates to the Hospital System. If the County self-insures or causes self-insurance to be obtained for any coverage in an amount, the report of the Insurance Adviser mentioned above shall state whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the required funding to produce such result and such coverage shall be reviewed by such Insurance Adviser not less frequently than annually. If the Insurance Adviser determines that the anticipated funding of any self-insurance fund is not actuarially

sound, the County covenants that it will fund, or cause to be funded, such self-insurance fund in the manner recommended by the Insurance Adviser.

Section 6.10. Insurance and Condemnation Proceeds. Amounts received by the County or the Corporation as Net Proceeds may, subject to the requirement below to use said funds to mandatorily redeem Bonds, be used in such manner as the recipient may determine, including, without limitation, applying such moneys to the payment or prepayment of any Bonds in accordance with the terms and subject to compliance with the provisions hereof; provided, however, that if the amount of Net Proceeds exceeds ten percent (10%) of the Net Book Value of the Property, Plant and Equipment, the County agrees that it will immediately notify the Trustee and that it will, within twelve (12) months after the occurrence of the casualty loss or taking to which the Net Proceeds relates, deliver to the Trustee:

(a) (i) A certificate of a County Representative or a Corporation Representative certifying that the expected Long-Term Debt Service Coverage Ratio is not less than 1.50 for each of the two (2) periods of twelve (12) full consecutive calendar months following the date on which Net Proceeds, together with any other moneys delivered to the Trustee for such purpose, are expected to have been fully applied, as evidenced by pro forma financial statements for each such period, accompanied by a statement of the relevant assumptions (including assumptions as to the use of Net Proceeds) upon which such pro forma statements are based, and (ii) if the amount of Net Proceeds exceeds twenty percent (20) of the Net Book Value of the Property, Plant and Equipment, a written report of a Management Consultant confirming such certification; or

(b) A written report of a Management Consultant stating the Management Consultant's recommendations (including recommendations as to the use of Net Proceeds), which will cause the Long-Term Debt Service Coverage Ratio for each of the periods described in subsection (a) above to be not less than 1.20.

The County agrees that it will use Net Proceeds, to the extent permitted by law, only in accordance with the assumptions described in subsection (a) or the recommendations described in subsection (b) of this Section 6.10. The County further agrees that in the event it is unable to furnish or cause to be furnished to the Trustee certification demonstrating fulfillment of the requirements set forth in subsection (a) or (b) of this Section 6.10, the County shall cause all Bonds then Outstanding to be paid in full, together with interest accrued to the date of payment, without penalty or premium, not later than ninety (90) days next following the date required for furnishing the certification required by this Section 6.10.

Section 6.11. Limitations on Creation of Liens. (a) The County agrees that it will not create or suffer to be created or permit the existence of any Lien upon the Property or Net Revenues other than Permitted Liens.

(b) To the extent permitted by law, Permitted Liens shall consist of the following:

(i) Liens arising by reason of good faith deposits with the County or the Corporation in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by the County or the Corporation 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;

(ii) Any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the County or the Corporation 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 social security, or to share in the privileges or benefits required for companies participating in such arrangements;

(iii) Any judgment lien against the County or the Corporation so long as such judgment is being contested in good faith and execution thereon is stayed;

(iv) (A) 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 the Hospital System or the Net Revenues; (B) any liens on the Hospital System or the Net Revenues for taxes, assessments, levies, fees, water and sewer rents, 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 the Hospital System, which are not due and payable or which are not delinquent, or the amount or validity of which is being contested and execution thereon is stayed or, with respect to liens of mechanics, materialmen, laborers, suppliers or vendors, have been due for less than 90 days; (C) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances, and irregularities in the title to the Hospital System which do not materially impair the use of the Hospital System or materially and adversely affect the value thereof; (D) this Indenture and the Lease Agreement; and (E) landlord's liens;

(v) Any Lien on the Hospital System which is existing on the date of delivery of the first Series of Bonds under this Indenture, provided that no such Lien may be increased, extended, renewed or modified to apply to any portion of the Hospital System not subject to such Lien on such date or to secure Indebtedness not Outstanding as of the date hereof, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien hereunder;

(vi) Any Lien securing Non-Recourse Indebtedness permitted by Section 12.01(e) hereof;

(vii) Any Lien on Property acquired by the County or the Corporation if the Indebtedness secured by the Lien is Indebtedness permitted under the provisions of Section 12.01 hereof, and if a certificate of a County Representative or a Corporation Representative is delivered to the Trustee certifying that (A) the Lien and the Indebtedness secured thereby were created and incurred by a Person other than the County or the Corporation, and (B) the Lien was not created for the purpose of enabling the County or the Corporation to avoid the limitations hereof on creation of Liens;

(viii) So long as no Event of Default exists under this Indenture and subject to clause (xviii) of this Section 6.11(b), any Lien on Property securing Long-Term Indebtedness in an amount not exceeding twenty percent (20%) of the net value of Property, Plant and Equipment as shown on the Financial Statements for the prior Fiscal Year; provided, however, that the total of all Indebtedness secured by any Lien permitted under this clause (viii) and secured by any Lien permitted under clause (xviii) of this Section 6.11(b) shall not exceed twenty percent (20%) of the net value of Property, Plant and Equipment as shown on the Financial Statements for the prior Fiscal Year;

(ix) Any Lien on pledges, gifts or grants to be received in the future including any income derived from the investment thereof;

(x) Any Lien on inventory which does not exceed twenty percent (20%) of the Net Book Value thereof for the most recent Fiscal Year for which Financial Statements are available;

(xi) Any Lien in favor of a creditor or a trustee on the proceeds of Indebtedness and any earnings thereon prior to the application of such proceeds and such earnings;

(xii) Any Lien securing all Bonds on a parity basis;

(xiii) The pledge of Net Revenues and rights to receive payment thereof created by Section 4.05 of this Indenture and any pledge of Net Revenues on a parity with or junior to such pledge that may be granted by the County in the future to Holders of Indebtedness to secure such Indebtedness;

(xiv) Liens on moneys deposited by patients or others with the County or the Corporation as security for or as prepayment for the cost of patient care;

(xv) Liens on property received by the County or the Corporation through gifts, grants or bequests, such Liens being due to restrictions on such gifts, grants or bequests of property or the income thereon;

(xvi) Liens on Property or Net Revenues due to rights of third party payors for recoupment of amounts paid to the County or the Corporation;

(xvii) Rights of the United States of America under Title 42 United States Code Section 291;

(xviii) Any Lien on moveable equipment (as such term is defined under generally accepted accounting principles) securing Indebtedness incurred to purchase such moveable equipment, provided that the total of such Indebtedness does not exceed twenty percent (20%) of the net value of Property, Plant and Equipment as shown on the Financial Statements for the prior Fiscal Year; provided, however, that the total of all Indebtedness secured by any Lien permitted under this clause (xviii) and secured by any Lien on Property permitted under clause (viii) of this Section 6.11 (b) shall not exceed twenty-five percent (25%) of the net value of Property, Plant and Equipment as shown on the Financial Statements for the prior Fiscal Year; and

(xix) Any Lien on Accounts that are sold pursuant to Section 6.15(c) hereof or that are pledged to secure Indebtedness permitted by Section 12.01(h) hereof.

Section 6.12. Revenue Covenants. The County covenants that it will insure that none of the Net Revenues or any other money pledged under this Indenture will be used for any purpose other than expenditures related to the Hospital System or as provided in or permitted by this Indenture, and no contract or contracts will be entered into or any action taken which shall be inconsistent with the provisions of this Indenture. The County covenants that it has the rightful power and lawful authority to pledge the Net Revenues and other moneys, as provided in this Indenture.

The County represents that all of the Net Revenues are, and will continue to be, free and clear of and from any and all liens and encumbrances (exclusive of this Indenture and except as otherwise provided in this Indenture) of every nature and kind, and the County will at all times maintain and preserve the lien thereto granted under this Indenture as herein provided.

All property and rights of every kind, real, personal or mixed, tangible or intangible, which may be acquired by the County or the Corporation with the proceeds of any Bonds issued under this Indenture, shall, immediately upon the acquisition thereof and without any further instrument, become part of the Hospital System and be subject to this Indenture as fully and completely as if presently owned by the County. The County or the Corporation, at the request of the Trustee, will do, execute, acknowledge and deliver, or will cause to be done, executed, acknowledged and delivered, such things and instruments as shall be necessary for effectuating such result.

Section 6.13. Further Instruments and Actions. At the request of the Corporation or the Trustee, the County shall execute and deliver such further instruments or take such further actions as may be required to carry out the purposes of this Indenture.

Section 6.14. Compliance with Local Government Budget and Fiscal Control Act. The County covenants that it will comply with all provisions of the Local Government Budget and

Fiscal Control Act (Sections 159-7 et seq. of the General Statutes of North Carolina) as the same applies to public hospitals.

Section 6.15. Sale, Lease or Other Disposition of Hospital System; Disposition of Cash and Investments; Sale of Accounts.

(a) The County agrees that it will not Transfer, or permit the Transfer of, parts of the Hospital System in any twelve (12) month period for which Financial Statements will be reported upon by an independent certified public accountant, except for Transfers to any Person of parts of the Hospital System:

(i) having an aggregate Net Book Value of less than two percent (2%) of the unrestricted fund balance for the most recent period of twelve (12) full consecutive calendar months for which Financial Statements were reported on by independent certified public accountants if in the judgment (evidenced, in the case of such a Transfer other than in the ordinary course of business, by an opinion or certificate of a Management Consultant) of a County Representative or a Corporation Representative it is advisable to Transfer such parts of the Hospital System; or

(ii) if prior to the Transfer, there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative stating that, in the judgment of the signer, such parts of the Hospital System have become inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the Transfer thereof will not impair the structural soundness, efficiency or economic value of the remaining parts of the Hospital System; provided, however, that no such certificate shall be required with respect to the Transfer of parts of the Hospital System having an aggregate Net Book Value of less than 2.5% of the Net Book Value of Property, Plant and Equipment for the most recent period of twelve (12) full consecutive calendar months for which Financial Statements were reported on by independent certified public accountants; or

(iii) provided there shall be delivered to the Trustee prior to such Transfer either:

(A) a certificate of a County Representative or a Corporation Representative (accompanied by the report of the independent certified public accountants mentioned below) certifying the Long-Term Debt Service coverage Ratio, adjusted to exclude the revenues and expenses attributable to the parts of the Hospital System proposed to be transferred, for the two (2) most recent fiscal years preceding the date of delivery of the certificate for which the Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.50 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place; or

(B) the report of a Management Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two (2) full Fiscal Years succeeding the date on which such Transfer is expected to occur, and the Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based; or

(iv) provided that (A) the County or the Corporation shall receive, as consideration for such Transfer, cash, services or Property equal to the fair market value of the asset so transferred (fair market value of real property shall be evidenced by a written report of an independent appraiser who is a Member of the Appraisal Institute (MAI) which report shall state the fair market value as of a date not more than one (1) year prior to the date as of which such fair market value is being determined and fair market value of property other than real property shall be evidenced by a certificate of a County Representative or a Corporation Representative), and (B) if the fair market value of the asset to be transferred exceeds five percent (5%) of the unrestricted fund balance of the Corporation as shown on the Financial Statements for the most recent period of twelve (12) full consecutive calendar months for which such Financial Statements were reported upon by independent certified public accountants, then there shall be delivered to the Trustee prior to such Transfer either:

(A) a certificate of a County Representative or a Corporation Representative (accompanied by the report of the independent certified public accountants mentioned below) certifying the Long-Term Debt Service Coverage Ratio, adjusted to exclude the revenues and expenses attributable to the parts of the Hospital System proposed to be transferred, for the most recent period of twelve (12) full consecutive calendar months preceding the date of delivery of the certificate for which the Financial Statements have been reported upon by independent certified public accountants and such Long-Term Debt Service Coverage Ratio is not less than 1.50 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place; or

(B) the report of a Management Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking such Transfer into account, for each of the two (2) full Fiscal Years succeeding the date on which such Transfer is expected to occur, and the Long-Term Debt Service Coverage Ratio for each such period is not less than 1.50 and not less than sixty-five percent (65%) of what it would have been were such Transfer not to take place, accompanied by a statement of the relevant assumptions upon which such forecasts are based.

The County covenants to maintain, or cause to be maintained, records adequate to enable the Trustee to ascertain that the provisions of paragraph (iv) above have been complied with and to make such records available to the Trustee upon written request.

(b) The County shall not Transfer, or permit the Transfer of, cash, investment securities and other Property held for investment except Transfers of cash, investment securities and other Property held for investment to any Person:

(i) To any Person if there shall be filed with the Trustee a certificate of the Corporation, accompanied by and based upon Financial Statements for the most recent Fiscal Year or period of 12 full consecutive calendar months for which Financial Statements are available, demonstrating that the Long-Term Debt Service Coverage Ratio for such Fiscal Year or 12-month period would not be reduced below 1.75 if the fair market value of the cash or securities that are the subject of the proposed Transfer is deducted from Income Available for Debt Service for such period.

(ii) provided that the County or the Corporation shall receive, as demonstrated in a certificate of a County Representative or a Corporation Representative filed with the Trustee, consideration for such transferred cash, investment securities or other Property the fair market value of which is at least equal to the amount of the cash, investment securities and other Property so transferred.

(c) The County agrees that it will not Transfer, or permit the Transfer of, Accounts; provided, however, that so long as an Event of Default shall not have occurred and be continuing, the County or the Corporation will have the right to sell, in any Fiscal Year, its Accounts in an amount not to exceed the difference between (i) the Account Lien Amount and (ii) the amount of Accounts that have been pledged to secure outstanding Indebtedness incurred by the County or the Corporation pursuant to Section 12.01(h) hereof, if the County or the Corporation shall (i) receive as consideration for such sale cash, services or Property equal to the fair market value of the Accounts so sold, with the fair market value thereof to be determined in the following manner: (A) as certified to the Trustee in a certificate of a County Representative or the Corporation Representative that the cash, services or Property received in exchange for the Accounts had a value at least equal to eighty percent (80%) of net patient accounts as shown on the Financial Statements for the most recent twelve (12) month period or (B) if the value of the cash, services or Property to be received in exchange for the patient accounts has a value less than eighty percent (80%) of net patient accounts, then as certified in a report by a Management Consultant that the value of the cash, services or Property to be received in exchange for the Accounts is the reasonable fair market value of such Accounts based on standards applicable to the health care industry and (ii) deliver to the Trustee a statement from the Corporation's certified public accountants that such sale of Accounts constitutes a "sale" under generally accepted accounting principles.

(d) Notwithstanding the foregoing provisions of this section, nothing herein shall be construed as limiting the ability of the County or the Corporation to transfer cash, securities and other investment properties in connection with ordinary investment transactions where such purchases, sales and transfers are for fair market value.

Section 6.16. Additional Indebtedness. Except as otherwise permitted under Section 12.01 hereof, the County shall not incur or permit to exist additional Indebtedness.

Section 6.17. Notice to Local Government Commission. In the event the County intends to incur any Interest Rate Swap Obligation, the County must receive approval from the Local Government Commission before entering into such transaction.

Section 6.18. Covenant as to the Lease Agreement. The County covenants and agrees that it will fulfill its obligations and will require the Corporation to perform in a timely manner its duties and obligations under the Lease Agreement and will otherwise administer the Hospital System in accordance with the terms of the Lease Agreement in order to assure the continued operation, management, repair and maintenance of the Hospital System, the collection and application of the Revenues, and the payment of the rent thereunder and the costs and expenses of operation, management, repair and maintenance thereof in accordance with the terms of the Lease Agreement; that it will promptly notify the Trustee and the Local Government Commission of any Event of Default under or breach of the Lease Agreement of which it is aware; that it will not execute or agree to any change, amendment or modification of or supplement to the Lease Agreement, except as provided in the Lease Agreement or in this Indenture; and that it will not agree to any abatement, reduction, abrogation, waiver, diminution or other modification in any manner or to any extent whatsoever of the obligation of the Corporation to collect and apply the Net Revenues as provided in the Lease Agreement and to bear the cost of repair, maintenance, operation and insurance of the Hospital System; and that in the event that any provisions of the Lease Agreement conflict with this Indenture or any Supplemental Indenture, the provisions of this Indenture or any Supplemental Indenture shall be controlling.

Section 6.19. Covenant in Event of Termination of the Lease Agreement. The County covenants that in the event the Lease Agreement shall be terminated or the Hospital System shall be repossessed without termination of the Lease Agreement it will take prompt and reasonable action to assure that the rights and interest of the Holders respecting the Hospital System and the Net Revenues are adequately protected and, in the event the County enters into new leases or agreements for the operation of the Hospital System, will use its best efforts to enter into such new leases or other agreements as are substantially similar in their terms and provisions to those of the Lease Agreement, in order to produce the amount of Net Revenues required to meet its obligations under this Indenture and to carry out the public purpose of the Hospital System; provided, however, that in the event the County should determine not to enter into new leases or agreements for operation, the County covenants that it will fix, charge and collect rates, fees and charges for the operation or use of and for the services rendered by the Hospital System as hereinabove provided. The County further covenants that in the event of a termination of the Lease Agreement, it will promptly deliver to the Trustee a certificate signed by the County Representative, stating the date on which such termination occurred.

The County further covenants and agrees that in the event of the termination of the Lease Agreement it shall impose upon any successor lessee of the Hospital System the same obligations, or if the County shall operate the Hospital System the County shall assume and perform the same obligations, imposed upon the Corporation under the Lease Agreement respecting the fixing, charging, revising and collecting of rates, fees and charges for the use of or the services rendered by the Hospital System and respecting the employment of the services of the Management Consultant in that connection.

The County covenants that the Hospital System shall be leased by it as lessor, in the event the Lease Agreement shall be terminated, only to another governmental unit, or to another entity upon delivery of an opinion of nationally recognized bond counsel that the tax-exempt nature of the interest on the Bonds will not be adversely affected by the leasing of the Hospital System to an entity other than a governmental unit.

Section 6.20. Consolidation, Merger, Sale or Conveyance. The County covenants that it will not merge or consolidate with any other Person or sell or convey all or substantially all of the Hospital System or the Property to any Person unless:

(a) The County has delivered to the Trustee and the Local Government Commission an opinion of a Management Consultant, dated not more than ninety (90) days prior to such consolidation, merger or transfer, to the effect that (i) the Long-Term Debt Service Coverage Ratio of the successor for each of the two full Fiscal Years immediately following such merger, consolidation or transfer will be not less than 1.20 and not less than sixty-five percent (65%) of what it would have been were such merger, consolidation or transfer not to take place and (ii) after the consolidation, merger, or transfer, the unrestricted fund balance of the successor will not be less than eighty percent (80%) of what it would have been were such merger, consolidation or transfer not to take place;

(b) The successor (if other than the County) has the power to assume and shall assume in writing all of the obligations of the County under this Indenture and, if it is not a corporation incorporated in the State or a political subdivision of the State, qualifies to do business in the State;

(c) The County and the Trustee have received a written opinion of bond counsel to the County to the effect that such merger, consolidation, or transfer of assets will not adversely affect the exemption from federal income tax of the interest on the Bonds intended to be tax-exempt for federal income tax purposes; and

(d) The successor (if other than the County) has met all licensing requirements to which the County is subject under the laws of the State.

ARTICLE VII.

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following events is hereby declared an Event of Default:

(a) payment of any installment of interest on any Bond shall not be made when the same shall become due and payable;

(b) payment of the principal or of the redemption premium, if any, of any Bond shall not be made when the same shall become due and payable, whether at maturity or by proceedings for redemption or pursuant to a mandatory redemption requirement or otherwise;

(c) failure of the County to perform, observe or comply with any of the other covenants, agreements, conditions or provisions in this Indenture or any Supplemental Indenture, and the continuance thereof for a period of thirty (30) days after receipt by the County of a written notice from the Trustee specifying such default and requesting that it be corrected; provided, however, if prior to the expiration of such 30-day period the County institutes action reasonably designed to cure such default, no "Event of Default" shall be deemed to have occurred upon the expiration of such 30-day period for so long as the County pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time;

(d) the County or the Corporation shall: (i) become insolvent or the subject of insolvency proceedings, or (ii) be unable, or admit in writing its inability, to pay its debts as they mature; or (iii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its Property; or (iv) file a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets or requesting similar relief; or (v) apply to a court for the appointment of a receiver for any of its assets; or (vi) have a receiver or liquidator appointed for any of its assets (with or without its consent) and such receiver shall not be discharged within ninety (90) consecutive days after his appointment; or (vii) become the subject of an "order for relief" within the meaning of the United States Bankruptcy Code; or (viii) file an answer to a creditor's petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within ninety (90) consecutive days after the same is filed against it;

(e) the abandonment of the Hospital System or any substantial portion thereof or the discontinuance of the operations therein, and the continuance thereof for a period of thirty (30) days after receipt by the County of a written notice from the Trustee specifying such default and requesting that it be corrected, except as such abandonment or discontinuance is permitted by this Indenture;

(f) the County or the Corporation shall fail to make any required payment with respect to any Indebtedness (other than obligations issued and outstanding under this Indenture or a Supplemental Indenture) , whether such Indebtedness now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness, whether such Indebtedness now exists or shall hereafter be created, shall occur, which event of default shall not have been waived by the holder of such mortgage, indenture or instrument, and as a result of such failure to pay or other event of default such Indebtedness shall have been accelerated; provided, however, that such default shall not constitute an Event of Default within the meaning of this Section if within thirty (30) days (i) written notice is delivered to the Trustee, signed by the County Representative or the Corporation Representative, that the County or the Corporation is contesting the payment of such Indebtedness and the amount of such Indebtedness is less than one-half of one percent (1/2%) of Income Available for Debt Service for the immediately preceding Fiscal Year, or (ii) if such Indebtedness is equal to or greater than one-half of one percent (1/2%) of Income Available for Debt Service, within the time allowed for service of a responsive pleading if any proceeding to enforce payment of the Indebtedness is commenced, the County or the Corporation in good faith shall commence proceedings to contest the obligation to pay or the existence or payment of such Indebtedness; or

(g) the occurrence of any Event of Default under any applicable Supplemental Indenture.

Section 7.02. Acceleration of Maturities. Upon the happening and continuance of any Event of Default specified in Section 7.01 of this Article, the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then outstanding shall, by notice in writing to the County, declare the principal of all Bonds then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds, in any Supplemental Indenture or in this Indenture to the contrary notwithstanding. If the conditions identified below in clauses (a), (b) and (c) of this paragraph have been satisfied after the principal of and interest on the Bonds have been declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, then and in every such case the Trustee may, and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds not then due except by virtue of such declaration and then outstanding shall, by written notice to the County, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon: (a) money has accumulated in the Bond Fund as defined and created under the applicable Supplemental Indenture relating to such Series of Bonds sufficient to pay the principal of all matured Bonds of such Series and all arrears of interest, if any, upon all such Bonds then Outstanding (except the principal of any such Bonds not then due except by virtue of such declaration and the interest accrued on such Bonds since the last Interest Payment Date), (b) all amounts then payable by the County hereunder shall have been paid or a sum sufficient to pay

the same shall have been deposited with the Trustee, and (c) every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds, in the applicable Supplemental Indenture or in this Indenture (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) has been remedied to the satisfaction of the Trustee.

Section 7.03. Enforcement of Remedies. Upon the happening and continuance of any Event of Default specified in Section 7.01 of this Article, then and in every such case the Trustee may proceed and upon the written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding shall proceed, subject to the provisions of Section 8.02 of this Indenture, to protect and enforce its rights and the rights of the Holders under the laws of the State or under this Indenture by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default becoming and remaining due from the County for principal, interest or otherwise under any of the provisions of this Indenture or of the Bonds, together with interest on overdue payments of principal at the highest rate of interest payable on any Bonds Outstanding and all costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Holders and to recover and enforce any judgment or decree against the County, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.

Section 7.04. Application of Revenues and Other Moneys after Default. (a) During the continuance of an Event of Default all Revenues and other moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, after payment of Operating Expenses approved by the Trustee shall be applied as follows:

(i) Unless the principal of all outstanding Bonds shall have become or have been declared due and payable:

First: To the payment to the Holders entitled thereto of all installments of interest then due on the Bonds 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 Holders entitled thereto, without any discrimination or preference; and

Second: To the payment to the Holders entitled thereto of the unpaid principal installments of any Bonds which shall have become due, whether at

maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all Bonds due on any date, then to the payment thereof ratably according to the amounts of principal installments due on such date, to the Holders entitled thereto, without any discrimination or preference.

Third: To the payment of the interest on and the principal of the Bonds, and to the redemption of Bonds, all in accordance with the provisions of Article V; and

Fourth: In the case of Variable Rate Indebtedness, to the payment of any obligations due to the Credit Provider with respect to the applicable Credit Facility.

(ii) If the principal of all outstanding 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 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, ratably, according to the amounts due respectively for principal and interest, to the Holders entitled thereto without any discrimination or preference.

(iii) If the principal of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of subparagraph (ii) of this Section 7.04 (a), in the event that the principal of all Outstanding Bonds shall later become due or be declared due and payable, the money shall be applied in accordance with the provisions of paragraph (a) (i) of this section.

(b) Anything in this Indenture to the contrary notwithstanding, if at any time the money in the applicable funds and accounts created under any Supplemental Indenture or under this Indenture shall not be sufficient to pay the interest on or the principal of the related Series of Bonds as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 7.02 of this Article), such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(i) if the principal of all Bonds of such Series shall not have become or shall not have been declared due and payable, all such money in the applicable funds and accounts shall be applied:

First: to the payment to the Persons entitled thereto of all installments of interest on such Bonds then due and payable in the order in which such installments became due and payable and, if the amount available

shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds;

Second: to the payment to the Persons entitled thereto of the unpaid principal of any such Bonds that shall have become due and payable (other than Bonds called for redemption for the payment of which money or Defeasance Obligations are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto, without any discrimination or preference; and

Third: to the payment of the interest on and the principal of such Bonds, to the purchase and retirement of Bonds, and to the redemption of Bonds, all in accordance with the provisions of this Indenture and the applicable Supplemental Indenture.

(ii) If the principal of all Bonds shall have become or shall have been declared due and payable all such money shall be applied to the payment of principal and interest then due upon the Bonds without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or preference.

(iii) If the principal of all Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 7.02 of this Indenture, then, subject to the provisions of paragraph (b) (ii) of this Section in the event that the principal of all Bonds shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the related funds and accounts shall be applied in accordance with the provisions of paragraph (b)(i) of this Section.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amount of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to

make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all reasonable expenses and charges of the Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the Corporation, or as a court of competent jurisdiction may direct.

Section 7.05. Effect of Discontinuance of Proceedings. If any proceeding taken by the Trustee or Holders on account of any Event of Default shall have been discontinued or abandoned for any reason, then and in every such case, the County, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

Section 7.06. Control of Proceedings by Holders. The Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding shall have the right, subject to the provisions of section 8.02 of this Indenture, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall be in accordance with law and the provisions of this Indenture.

Section 7.07. Restrictions Upon Actions by Individual Holders. Except as provided in section 7.12 of this Indenture, no Holder shall have any right to institute any suit, action or proceeding in equity or at law on any Bond or for the execution of any trust hereunder or for any other remedy hereunder unless such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders shall have made a written request of the Trustee after the right to exercise such powers or right of action as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby as provided in Section 8.02 of this Indenture, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to any other remedy hereunder. Notwithstanding the foregoing provisions of this Section and without complying therewith, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding may institute any such suit, action or proceeding in their own names for the benefit of all Holders hereunder. It is understood and intended that, except as otherwise above provided, no one or more Holders shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the benefit of all Holders and that any individual rights of

action or other right given to one or more of such Holders by law are restricted by this Indenture to the rights and remedies herein provided.

Section 7.08. Enforcement of Rights of Action. All rights of action (including the right to file proof of claim) under this Indenture or under any Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Holders hereby secured, and any recovery of judgment shall be for the equal benefit of the Holders.

Section 7.09. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.10. Delay Not a Waiver. No delay or omission by the Trustee or of any Holder in the exercise of any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power or remedy given by this Indenture to the Trustee and to the Holders may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall, waive any default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any subsequent default or defaults or impair any rights or remedies consequent thereon.

Section 7.11. Notice of Default. The Trustee shall mail to the County, the Local Government Commission and all Holders written notice of the occurrence of such an Event of Default within thirty (30) days after the Trustee shall have notice of the same, pursuant to the provisions of Section 8.08 of this Indenture, provided that, except for Events of Default described in clauses (a), (b) and (d) of Section 7.01, the Trustee may in its discretion elect not to give notice of an Event of Default to the Holders.

Section 7.12. Right to Enforce Payment Unimpaired. Nothing in this Article shall affect or impair the right of any Holder to enforce the payment of the principal of and interest on his Bond or the obligation of the County to pay the principal of and interest and redemption premium on each Bond to the Holder thereof at the time and place expressed in said Bond.

ARTICLE VIII.

CONCERNING THE TRUSTEE

Section 8.01. Acceptance of Duties by the Trustee. First-Citizens Bank & Trust Company, Raleigh, North Carolina hereby accepts the trusts imposed upon it by this Indenture

and agrees to perform said trusts in accordance with the express terms and conditions of this Indenture. Prior to the occurrence of any Event of Default and after the curing of all such Events of Default that may have occurred, the Trustee shall perform such duties and only such duties of the Trustee as are specifically set forth in this Indenture and any Supplemental Indenture. During the existence of any Event of Default that has not been cured the Trustee shall use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Indenture or any Bond shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own misconduct, except that:

(a) prior to any such Event of Default hereunder, and after the curing of any other Events of Default that may have occurred:

(1) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Indenture and any Supplemental Indenture and the Trustee shall not be liable except for the performance of such duties and obligations of the Trustee as are specifically set forth in this Indenture and any Supplemental Indenture, and no implied covenants or obligations shall be read into this Indenture or any Supplemental Indenture against the Trustee, and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it conforming to the requirements of this Indenture or any Supplemental Indenture, but in the case of any such certificate or opinion by which any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture or any Supplemental Indenture; and

(b) at all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than twenty five percent (25%) in aggregate principal amount of Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Indenture or any Supplemental Indenture.

None of the provisions contained in this Indenture or any Supplemental Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

Section 8.02. Indemnification of Trustee as Condition for Remedial Action. The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding (including, but not limited to, the acceleration of the maturity date of any Bonds) under this Indenture or any Supplemental Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder or under any Supplemental Indenture, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the County, at the request of the Trustee, shall reimburse the Trustee from the Revenues for all costs, expenses, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith.

The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Holder in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document.

The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts, relating to Projects associated with the Hospital Facility. The Trustee shall have no duty to inspect or oversee the construction or completion of any Projects related to the Hospital Facility or to verify the truthfulness or accuracy of the certifications made by the County or the Corporation with respect to the Trustee's disbursements for costs of construction of any Projects related to the Hospital Facility in accordance with the terms of this Indenture.

No permissive right of the Trustee shall be construed as a duty.

Without limiting the duties of the Trustee expressly set forth herein, the Trustee shall have no obligation or responsibility whatsoever in connection with (i) any federal or state tax-exempt status of the Series 2001 Bonds or the interest thereon; (ii) the consequences of the investment or non-investment of any funds or accounts relating to the Series 2001 Bonds or the Credit Facility under Section 148 of the Code, or (iii) the calculation of any amount required to be rebated to the United States under Section 148 of the Code.

The Trustee shall not be liable for any loss resulting from any investment in accordance with this Indenture.

Section 8.03. Limitations on Obligations and Responsibilities of Trustee. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the County, or to report,

or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts by its execution of the certificate of authentication on the Bonds, the Trustee shall have no responsibility in respect of the validity or sufficiency of this Indenture, or, except as to the authentication thereof, in respect of the validity of Bonds or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein imposed upon the County, the Corporation, the Accountant, the Management Consultant, any Independent Architect, any Insurance Adviser, any Depository other than the Trustee acting as Depository, or any Person other than itself, or any covenants herein contained on the part of any Person other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

Section 8.04. Trustee Not Liable for Failure of County to Act. The Trustee shall not be liable or responsible because of the failure of the County or any of its employees or agents to make any collections or deposits or to perform any act herein required of the County or because of the loss of any money arising through the insolvency or the act or default or omission of any Depository other than the Trustee acting as Depository in which such money shall have been deposited under the provisions of this Indenture or any Supplemental Indenture. The Trustee shall not be responsible for the application of any of the proceeds of Bonds or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Indenture or any Supplemental Indenture. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

Section 8.05. Compensation of Trustee. Subject to the provisions of any contract between the County and the Trustee relating to the compensation of the Trustee, the County shall pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder. If the County shall fail to cause any payment required by this Section to be made, the Trustee may make such payment from any money in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder. The County covenants that it shall promptly deposit or cause to be deposited, solely from Revenues, to the credit of the respective fund or account the amount withdrawn therefrom by the Trustee to make any such payment, provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the County in connection therewith.

Section 8.06. Monthly Statements from Trustee. It shall be the duty of the Trustee, on or before the 15th day (as defined in the applicable Supplemental Indenture) of each month, to file with the County, the Corporation and, during construction of the Project and any Improvements and otherwise upon request, the Local Government Commission, a statement setting forth in respect of the preceding calendar month:

- (a) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund or account held by it under the provisions of this Indenture or any Supplemental Indenture,
- (b) the amount on deposit with it at the end of such month in each such fund or account,
- (c) a brief description of all obligations held by it as an investment of money in each such fund or account,
- (d) the amount applied to the purchase or redemption of Bonds under the provisions of this Indenture and any Supplemental Indenture and a description of the Bonds or portions thereof so purchased or redeemed, and
- (e) any other information that the County or the Corporation may reasonably request.

All records and files pertaining to Bonds in the custody of the Trustee shall be open at all reasonable times to the inspection of the County, the Corporation, the Local Government Commission and their agents and representatives.

Section 8.07. Trustee May Rely on Certificates. If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Indenture provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of this Indenture, and any such certificate shall be evidence of such fact or protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Indenture, any request, notice, certificate or other instrument from the County to the Trustee shall be deemed to have been signed by the proper party or parties if signed by the County Representative, and the Trustee may accept and rely upon a certificate signed by the County Representative as to any action taken by the County.

Section 8.08. Notice of Default. Anything contained in the Bonds, in any Supplemental Indenture or in this Indenture to the contrary notwithstanding, except upon the happening of (i) any Event of Default specified in clauses (a) or (b) of Section 7.01 of this Indenture, (ii) notification in the certificate of the Accountant required under Section 6.08 of this Indenture that an Event of Default has occurred, or (iii) written notification from any holder of Indebtedness or such holder's legal representative of an event of default under any Indebtedness, the Trustee shall not be obliged to take notice or be deemed to have notice of any Event of Default under this Indenture unless specifically notified in writing of such Event of Default by the County, the Corporation or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding.

Section 8.09. Trustee Not Responsible for Recitals. The recitals, statements and representations contained herein and in the Bonds (excluding the certificate of authentication on the Bonds) shall be taken and construed as made by and on the part of the County and not by the Trustee, and the Trustee assumes and shall be under no responsibility for the correctness of the same.

Section 8.10. Trustee Protected in Relying on Certain Documents. The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture or any Supplemental Indenture, or upon the written opinion of any attorney, engineer or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. The Trustee shall not be under any obligation to see to the recording or filing of this Indenture or otherwise to the giving to any Person of notice of the provisions hereof.

Section 8.11. Trustee May Pay Taxes and Assessments. In case the County shall fail to pay or cause to be paid any tax, assessment or governmental or other charge upon any part of the Hospital System to the extent, if any, that the County may be deemed by the Trustee liable for same, the Trustee may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Holders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section shall be repaid by the County upon demand by the Trustee, from Revenues or other legally available funds, but the Trustee shall be under no obligation to make any such payment from sources provided in this Indenture unless it shall have available or be provided with adequate funds for the purpose of such payment.

Section 8.12. Resignation and Removal of Trustee Subject to Appointment of Successor. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 8.15 hereof.

Section 8.13. Resignation of Trustee. The Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the County, the Corporation and the Local Government Commission, and mailed, postage prepaid, to all Holders, not less than thirty (30) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof.

Section 8.14. Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, (i) executed by the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then outstanding and filed with the County or, (ii) if no Event Of Default shall exist and be continuing, an instrument executed by the County and approved by the Local Government Commission, not less than thirty (30) days

before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument or instruments filed with the County under the provisions of this paragraph, duly certified by the County Representative as having been received by the County, shall be delivered promptly by the County to the Trustee.

The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Indenture or any Supplemental Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the County or the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then outstanding.

Section 8.15. Appointment of Successor Trustee. If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the County shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than one hundred million dollars (\$100,000,000). The County shall mail notice of any such appointment by it made, postage prepaid, to all Holders.

At any time within one (1) year after any such vacancy shall have occurred, the Holders of not less than twenty-five percent (25%) in principal amount of Bonds then Outstanding, by an instrument or concurrent instruments in writing, executed by such Holders and filed with the County, may nominate a successor Trustee, which the County shall appoint and which shall supersede any Trustee theretofore appointed by the County. Photographic copies, duly certified by the County Representative as having been received by the County, of each such instrument shall be delivered promptly by the County to the predecessor Trustee and to the Trustee so appointed by the Holders.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, any Holder hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, prescribe and appoint a successor Trustee.

Any successor Trustee hereafter appointed shall be a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than one hundred million dollars (\$100,000,000).

Section 8.16. Vesting of Duties in Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the

County, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities and powers, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the County and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 8.05 of this Article, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money held by it hereunder to its successor. Should any instrument in writing from the County be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the County.

ARTICLE IX.

EXECUTION OF INSTRUMENTS BY HOLDERS, PROOF OF OWNERSHIP OF BONDS, AND DETERMINATION OF CONCURRENCE OF HOLDERS

Section 9.01. Execution of Instruments by Holders. Any request, direction, consent or other instrument in writing required or permitted by this Indenture or any Supplemental Indenture to be signed or executed by any Holder may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Holders or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the County with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any Person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a Person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 2.06 of this Indenture.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Holder shall bind every future Holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent.

Notwithstanding any of the foregoing provisions of this section, the Trustee shall not be required to recognize any person as a Holder or to take any action at his request unless such Bonds shall be deposited with it.

ARTICLE X.

SUPPLEMENTAL INDENTURES

Section 10.01. Supplemental Indentures Without Consent of Holders. The County may, from time to time and at any time, approve, execute and deliver such supplemental indentures hereto as shall be consistent with the terms and provisions of this Indenture and, in the opinion of the Trustee, shall not affect materially and adversely the interest of the Holders:

- (a) to cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture that shall be consistent with the provisions of this Indenture, or
- (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee, or
- (c) to add to the conditions, limitations and restrictions on the issuance of Bonds and other Indebtedness under the provisions of this Indenture or other conditions, limitations and restrictions thereafter to be observed, or
- (d) to add to the covenants and agreements of the County in this Indenture other covenants and agreements thereafter to be observed by the County or to surrender any right or power herein reserved to or conferred upon the County, or
- (e) to permit the qualification of this Indenture under any federal statute now or hereafter in effect or under any state Blue Sky law, or
- (f) to amend or add any provisions necessary in connection with the establishment or maintenance of a debt service reserve fund for any Series of Bonds, or
- (g) to provide for the issuance of Bonds in bearer form.

Section 10.02. Modification of Master Trust Indenture with Consent of Holders. Subject to the terms and provisions contained in this Section, and not otherwise, the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding that will be affected by a proposed supplemental indenture shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution and delivery by the County and the acceptance by the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the County for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided,

however that nothing herein contained shall permit, or be construed as permitting (a) an extension of the maturity of the principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a pledge of Net Revenues other than any pledge created or permitted by this Indenture, or (d) a preference or priority of any Bond over any other Bond, or (e) a reduction in the aggregate principal amount of Bonds required for consent to such supplemental indenture. Nothing herein contained, however, shall be construed as making necessary the approval by the Holders of the execution and delivery of any supplemental indenture as authorized in Section 10.01 of this Article.

The Trustee shall, at the expense of the County, such expense to be paid solely from Revenues, cause notice of the proposed execution of such supplemental indenture to be mailed, postage prepaid, to the Local Government Commission and all Holders. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Holders. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such supplemental indenture when approved and consented to as provided in this Section.

Whenever the County shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding that are affected by a proposed supplemental indenture, which instrument or instruments shall refer to the proposed supplemental indenture described in such notice and shall specifically consent to and approve the execution and delivery thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the County may approve, execute and deliver such supplemental indenture in substantially such form, without liability or responsibility to any Holder, whether or not such Holder shall have consented thereto.

If the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds Outstanding that are affected by a proposed supplemental indenture at the time of the approval, execution and delivery of such supplemental indenture shall have consented to and approved the execution and delivery thereof as herein provided, no Holder shall have any right to object to the execution and delivery of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the approval, execution and delivery thereof, or to enjoin or restrain the County from approval, execution and delivery of the same or from taking any action pursuant to the provisions thereof.

Upon the approval, execution and delivery of any supplemental indenture pursuant to the provisions of this Section or Section 10.01, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Trustee and all Holders shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Indenture as so modified and amended.

For purposes of this Section, Bonds shall be deemed to be "affected" by a supplemental indenture that adversely affects or diminishes the rights of Holders against the County or the rights of the Holders in the security for such Bonds. The Trustee may in its discretion determine whether any Bonds would be affected by any supplemental indenture or supplemental agreement and any such determination shall be conclusive upon the Holders of all Bonds, whether theretofore or thereafter authenticated and delivered hereunder. The Trustee shall not be liable for any such determination made in good faith.

Section 10.03. Exclusion and Ownership of Bonds. Bonds owned or held by or for the account of the County or the Corporation or any controlled affiliate shall not be deemed Outstanding Bonds for the purpose of any consent or other action or any calculation of outstanding Bonds provided for in this Article, Article VII or Article VIII, and the County or the Corporation as holder of such Bonds shall not be entitled to consent or take any other action provided for in this Article, Article VII or Article VIII. At the time of any consent or other action taken under this Article, Article VII or Article VIII, the County and the Corporation shall furnish the Trustee certificates of a County Representative and Corporation Representative, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 10.04. Responsibilities of Trustee and County under Article X. The Trustee and the County shall be entitled to exercise their discretion in determining whether or not any proposed supplemental indenture or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the County, the rights and interests of the Holders, and the rights, obligations and interests of the Trustee. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of Counsel approved by it, who may be bond counsel for the County, as conclusive evidence that any such proposed supplemental indenture does or does not comply with the provisions of this Indenture, and that it is or is not proper for it, under the provisions of this Article, to accept such supplemental indenture.

ARTICLE XI.

DEFEASANCE

Section 11.01. Cessation of Interest of Holders and Repeal of Master Trust Indenture. If, when (a) the Bonds shall have become due and payable in accordance with their terms or shall have been duly called for redemption, or (b) irrevocable instructions to pay such Bonds at their respective maturities or to call such Bonds for redemption shall have been given by the County to the Trustee, the whole amount of the principal and the interest and premium, if any, so due and payable upon all Bonds shall be paid or if the Trustee shall hold sufficient money or non-callable Defeasance Obligations the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on all Bonds then Outstanding to the maturity date or dates of such Bonds or to the date or dates specified for the redemption thereof, and (c) sufficient funds shall also have been provided or provision made for paying all other obligations payable hereunder by the County, in connection with an advance refunding as shown by a verification report of an Accountant as to the adequacy of the escrow, then, and in that case the right, title and interest of the Trustee

hereunder and the obligations of the County hereunder shall thereupon cease, and the County shall repeal this Indenture and the Trustee, on demand of the County, shall distribute any surplus and all balances remaining in all funds and accounts, other than money held for the redemption or payment of Bonds, as provided in Section 4.04 hereof otherwise, this Indenture shall be, continue and remain in full force and effect; provided that, in the event Defeasance obligations shall be deposited with and held by the Trustee as hereinabove provided, (i) in addition to the requirements set forth in Article III of this Indenture, the Trustee, within thirty (30) days after such Defeasance Obligations shall have been deposited with it, shall cause a notice signed by the Trustee to be mailed, postage prepaid, to all Holders setting forth (a) the date or dates, if any, designated for the redemption of the Bonds, (b) a description of the Defeasance obligations so held by it, and (c) that this Indenture has been repealed in accordance with the provisions of this Section, but failure to mail any such notice to any Holder shall not affect the validity of the defeasance of the Bonds pursuant to this section and (ii) (a) the Trustee shall nevertheless retain such rights, powers and privileges under this Indenture as may be necessary and convenient in respect of the Bonds for the payment of the principal, interest and any premium for which such Defeasance Obligations have been deposited and (b) the Trustee shall retain such rights, powers and privileges under this Indenture as may be necessary and convenient for the registration, transfer and exchange of Bonds.

All money and Defeasance Obligations held by the Trustee pursuant to this Section shall be held in trust and applied to the payment, when due, of the obligations payable therewith.

ARTICLE XII.

LIMITATION ON INDEBTEDNESS

Section 12.01. Incurrence of Indebtedness. Subject to the conditions hereinafter provided, the County shall have the right to incur, and to permit the Corporation to incur, the following Indebtedness (including Indebtedness secured *pari passu* with the Bonds as to the Net Revenues):

(a) Long-Term Indebtedness, including Bonds, if prior to the incurrence of such Indebtedness one of the following conditions is met:

(i) there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative certifying the Long-Term Debt Service Coverage Ratio, taking all outstanding Long-Term Indebtedness (excluding any Long-Term Indebtedness to be refunded by the Long-Term Indebtedness to be incurred) and the Long-Term Indebtedness then to be incurred into account as if it had been incurred at the beginning of the most recent Fiscal Year for which Financial Statements are available preceding the date of delivery of such certificate, and such Long-Term Debt Service Coverage Ratio for such period is not less than 1.35; or

(ii) (A) there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative certifying the Long-Term Debt

Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness, but not the Long-Term Indebtedness then to be incurred, for the most recent Fiscal Year for which Financial Statements are available preceding the date of delivery of such certificate, and such Long-Term Debt Service Coverage Ratio is not less than 1.50; and (B) there shall be filed with the Trustee a report of a Management Consultant or a Corporation Representative to the effect that the estimated Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (i) in the case of Long-Term Indebtedness to finance Improvements, each of the first two Fiscal Years succeeding the date on which such Improvements are expected to be completed and in operation, or (ii) in the case of Long-Term Indebtedness not financing Improvements, each of the first two Fiscal Years succeeding the date on which such Long-Term Indebtedness is incurred, for each such period is not less than 1.35; or

(iii) (A) there is delivered to the Trustee a Certificate of a County Representative or a Corporation Representative certifying the Long-Term Debt Service Coverage Ratio, taking into account all outstanding Long-Term Indebtedness, but not the Long-Term indebtedness then to be incurred, for the most recent Fiscal Year for which Financial Statements are available preceding the date of delivery of such certificate, and such Long-Term Debt Service Coverage Ratio is not less than 1.50; and (B) there shall be filed with the Trustee a report of a Management Consultant to the effect that the forecasted Long-Term Debt Service Coverage Ratio, taking the proposed Long-Term Indebtedness into account, for (i) in the case of Long-Term Indebtedness to finance Improvements, each of the first two Fiscal Years succeeding the date on which such Improvements are expected to be completed and in operation, or (ii) in the case of Long-Term Indebtedness not financing Improvements, each of the first two Fiscal Years succeeding the date on which such Long-Term Indebtedness is incurred, for each such period is not less than 1.35; or

(iv) without compliance with any of the tests mentioned in (i), (ii) or (iii) above, additional Long-Term Indebtedness in an amount not to exceed 10% of Total Revenue for the most recent Fiscal Year for which Financial Statements are available; provided, however, that the total amount of Long-Term Indebtedness incurred under this clause (iv) and outstanding without compliance with one of the tests mentioned in (i), (ii) or (iii) above may not in the aggregate exceed at any time the amount calculated in accordance with the provisions of this clause (iv) provided, further, that the aggregate of the Indebtedness Outstanding under this subsection 12.01(a)(iv) and subsection 12.01(d) shall not at any time exceed twenty-five percent (25%) of Total Revenue as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available; or

(v) (A) immediately after the incurrence of the proposed Long-Term Indebtedness the aggregate principal amount of all Long-Term Indebtedness does

not exceed sixty-five percent (65%) of Capitalization and (B) there is delivered to the Trustee a certificate of the County Representative or the Corporation Representative certifying the Long-Term Debt Service Coverage Ratio, taking all outstanding Long-Term Indebtedness (excluding any Long-Term Indebtedness to be refunded by the Long-Term Indebtedness to be incurred) and the Long-Term Indebtedness then to be incurred into account as if it had been incurred at the beginning of the most recent Fiscal Year for which Financial Statements are available preceding the date of delivery of such certificate, and such Long-Term Debt Service Coverage Ratio for such period is not less than 1.20.

The Long-Term Debt Service Coverage Ratios required by subparagraphs (i), (ii), (iii) and (v) above may be reduced to 1.00 if a Management Consultant reports that the principal cause of the County's inability to meet the stated Long-Term Debt Service Coverage Ratios was Governmental Restrictions.

(b) Notwithstanding the provisions of paragraph (a) above, Completion Indebtedness, including Bonds, may be incurred without compliance with any of the tests mentioned in Section 12.01(a) if there is delivered to the Trustee (i) a Certificate of a County Representative or a Corporation Representative stating the reason why such Completion Indebtedness is required and (ii) a report of an Independent Architect stating that the amount of such Completion Indebtedness, together, if applicable, with other available funds, is sufficient to pay the costs of completion of the Improvements.

(c) Long-Term Indebtedness may be incurred for the purpose of refunding any outstanding Long-Term Indebtedness if, prior to the incurrence of such Long-Term Indebtedness, there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative demonstrating that Maximum Annual Debt Service will not increase by more than ten percent (10%) after the incurrence of such proposed refunding Long-Term Indebtedness and after giving effect to the disposition of the proceeds thereof; provided, however, if the Indebtedness proposed to be issued is Cross-over Refunding Indebtedness, there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative stating that the total Maximum Annual Debt Service on the proposed Cross-over Refunding Indebtedness and the related Cross-over Refunded Indebtedness, immediately after the issuance of the proposed Cross-over Refunding Indebtedness, will not exceed the Maximum Annual Debt service on the Cross-over Refunded Indebtedness alone, immediately prior to the issuance of the Cross-over Refunding Indebtedness, by more than five percent (5%); provided, however, that if the County or the Corporation could incur such Long-Term Indebtedness under Section 12.01(a) the County or the Corporation may incur such refunding Indebtedness without regard to the amount of increase in Maximum Annual Debt Service.

(d) Short-Term Indebtedness may be incurred subject to the limitation that the aggregate of all Short-Term Indebtedness shall not at any time exceed twenty-five (25%) of Total Revenue as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available; provided, however, that there shall be a period of at least twenty consecutive calendar days during each such Fiscal Year during

which Short-Term Indebtedness shall not exceed three percent (3%) of Total Revenue; provided, further, that the aggregate of the Indebtedness Outstanding under this subsection 12.01 (d) and subsection 12.01 (a) (iv) shall not at any time exceed twenty-five percent (25%) of Total Revenue as reflected in the Financial Statements for the most recent Fiscal Year for which Financial Statements are available.

(e) Non-Recourse Indebtedness may be incurred up to but not in excess of an aggregate of twenty percent (20%) of Total Revenue for the most recent Fiscal Year for which Financial Statements are available.

(f) Indebtedness may be incurred without limitation under a line of credit, letter of credit, standby bond purchase agreement or similar liquidity or credit support facility established in connection with the incurrence of any Indebtedness; provided, however, if such liquidity facility is used or drawn upon then the liability represented by such use or draw may be incurred without meeting the requirements of this section; provided further, however, that such liability shall be included in Indebtedness for all other purposes of this Indenture.

(g) Put Indebtedness may be incurred if prior to the incurrence of such Put Indebtedness (i) one of the conditions described in paragraph (a) of this Section 12.01 is met and (ii) unless the County and the Local Government Commission shall otherwise permit, a binding commitment from a bank or other financial institution exists to provide financing sufficient to pay the purchase price or principal of such Put Indebtedness on any date on which the owner of such Put Indebtedness may demand payment thereof pursuant to the terms of such Put Indebtedness.

(h) Indebtedness secured by Accounts may be incurred if prior to the incurrence of such Indebtedness there is delivered to the Trustee a certificate of a County Representative or a Corporation Representative certifying that immediately after the incurrence of such Indebtedness, the amount of Accounts that have been pledged to secure Indebtedness that has been issued pursuant to this subsection (h) and is then Outstanding will not exceed the difference between (i) the Account Lien Amount and (ii) an amount equal to the Net Book Value of any patient Accounts that have been sold in the current Fiscal Year pursuant to Section 6.15(c); provided, however, that (A) the determination of whether a disposition of Accounts is a sale or loan shall be made in accordance with generally accepted accounting principles and (B) any Indebtedness issued pursuant to this provision shall be considered to be Short-Term Indebtedness subject to the incurrence test set forth in Section 12.01(d) hereof.

ARTICLE XIII.

AMENDMENTS TO THE LEASE AGREEMENT

Section 13.01. Amendments to the Lease Agreement. The County, the Corporation and the Trustee, from time to time and at any time, may agree to amendments of the Lease Agreement for any of the purposes set forth in the Lease Agreement, provided that such

amendments shall be consistent with the terms and provisions of the Lease Agreement or this Indenture or, in the opinion of the Trustee, shall not affect materially and adversely the interest of the Holders (which amending lease agreements shall thereafter form a part thereof).

At least thirty (30) days prior to the execution of any such amendment, the Trustee shall cause a notice of the proposed execution of such amendment to be mailed, postage prepaid, to all Holders and the Local Government Commission. Such notice shall briefly set forth the nature of the proposed amendment and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Holders. A failure on the part of the Trustee to mail the notice required by this Section shall not affect the validity of such amendment.

Section 13.02. Notice and Consent for Amendment. Except for supplemental lease agreements provided for in Section 13.01 of this Article, neither the County nor the Trustee shall agree or consent, as the case may be, to any amendment to the Lease Agreement unless notice of the proposed execution of such amendment shall have been given and the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding that are affected by such supplemental lease agreement shall have consented to and approved the execution thereof in the same manner and form as provided for in Section 10.02 of this Indenture; provided, however, that the Trustee shall be entitled to exercise its discretion in consenting or not consenting to any such amendment in the same manner as provided for in Section 10.04 of this Indenture in determining which Bonds are outstanding, the restrictions set forth in Section 10.03 hereof shall apply.

ARTICLE XIV.

MISCELLANEOUS PROVISIONS

Section 14.01. Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the County, the Corporation, the Trustee, the Registrar, the Paying Agent, other agents from time to time hereunder, the Bondholders and, to the limited extent provided by Supplemental Indenture, the Credit Providers, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the County, the Corporation, the Trustee, the Registrar, the Paying Agent, such other agents, the Bondholders and, to the limited extent provided in the applicable Supplemental Indenture, the Credit Providers.

Section 14.02. Effect of Dissolution of County. In the event the County for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Indenture by or on behalf of or for the benefit of the County shall bind or inure to the benefit of the successor or successors of the County from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "County" as used in this Indenture shall include such successor or successors.

Section 14.03. Successorship of Depository. Any bank or trust company with or into which any Depository may be merged or consolidated or to which the assets and business of such Depository may be sold, shall be deemed the successor of such Depository for the purposes of this Indenture. If the position of any Depository shall become vacant for any reason, the County, at the request of the Trustee and provided sufficient funds are available to pay all costs and expenses, if any, reasonably incurred by the County in connection therewith, shall appoint a bank or trust company located in the same city as such Depository to fill such vacancy within thirty (30) days after the County receives notice of such vacancy, provided that if the County shall fail to appoint such Depository within such period, the Trustee shall make such appointment.

Section 14.04. Manner of Giving Notice. All notices, demands and requests to be given to or made hereunder by the County, the Corporation, the Local Government Commission or the Trustee shall be given or made in writing and shall be deemed to be properly given or made if sent by United States certified mail, return receipt requested, postage prepaid, addressed as follows:

- (a) As to the County:
County of Henderson
100 North King Street
Hendersonville, North Carolina 28792
Attention: County Manager

- (b) As to the Corporation:
Henderson County Hospital Corporation
715 Fleming Street
Hendersonville, North Carolina 28791
Attention: President

- (c) As to the Trustee:
First-Citizens Bank & Trust Company
100 East Tryon Road
Corporate Trust DAC 61
Raleigh, North Carolina 27603
Attention: Corporate Trust Department

- (d) As to the Local Government Commission:
Local Government Commission of North Carolina
413 North Salisbury Street
Raleigh, North Carolina 27603
Attention: Secretary

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

Section 14.05. Substitute Mailing. If, because of the temporary or permanent suspension of postal service, the County or the Trustee shall be unable to mail any notice required to be given by the provisions of this Indenture, the County or the Trustee shall give notice in such other manner as in the judgment of the County or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Indenture be deemed to be in compliance with the requirement for the mailing thereof.

Section 14.06. Effect of Partial Invalidity. In case any one or more of the provisions of this Indenture or of the Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or the Bonds, but this Indenture and said Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or this Indenture shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the County to the full extent permitted by law.

Section 14.07. State Law Governs. This Indenture is approved, executed and delivered with the intent that the laws of the State shall govern its construction.

Section 14.08. County Not to Limit Rights of Holders. The County pledges to and agrees with the Holders of the Bonds that the County will not limit or impair the rights and remedies of the Holders, until the Bonds, together with interest thereon, and all costs and expenses in connection with any action or proceedings by or on behalf of the Holders are fully met and discharged.

Section 14.09. No Recourse Against Members, Officers or Employees of County or Officers or Employees of the Corporation or the Local Government Commission. No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Indenture or any Supplemental Indenture; or in any Bond hereby secured; or in any document or certification whatsoever; or under any judgment obtained against the County, the Corporation, the Local Government Commission or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the County, the Corporation, the Local Government Commission either directly or through the County, the Corporation, the Local Government Commission or otherwise, for the payment for or to, the County, the Corporation, the Local Government Commission or any receiver thereof, or for, or to, any Holder or otherwise, of any sum that may be due and unpaid by the County or the Corporation upon any such Bond. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the County, the Corporation, the Local Government Commission or any receiver thereof, or for, or to, any Holder or otherwise, of any sum that may remain due and unpaid upon the Bonds

hereby secured or any of them, is hereby expressly waived and released as an express condition of, and in consideration for, the approval, execution and delivery of this Indenture and the issuance of the Bonds.

Section 14.10. Expenses Payable under this Indenture. All expenses incurred in carrying out this Indenture shall be payable solely from funds provided under the authority of this Indenture. Anything in this Indenture to the contrary notwithstanding, the performance by the County of all duties and obligations imposed upon it hereby, the exercise by it of all powers granted to it hereunder, the carrying out of all covenants, agreements and promises made by it hereunder, and the liability of the County for all warranties and other covenants herein shall be limited solely to moneys provided under this Indenture, including moneys attributable to the proceeds of Bonds, or the income from the temporary investment thereof, and the proceeds of insurance, sale and condemnation awards; and the County shall not be required to effectuate any of its duties, obligations, powers or covenants except from, and to the extent of, such moneys, revenues, proceeds, and payments.

Section 14.11. Rights of Persons Providing Credit Enhancement. Notwithstanding any other provisions of this Indenture, any Supplemental Indenture may grant to any Person providing credit support or enhancement for a Series of Bonds (a) the right to control acceleration of the Bonds of such Series and any remedial proceedings with respect thereto, (b) the right to control the removal of the Trustee and the appointment of a successor Trustee and (c) the right to consent to supplements to this Indenture and amendments to the Lease Agreement.

Section 14.12. Dealing in Bonds. The Trustee and any bank or trust company acting as Depositary under this Indenture and its directors, officers, employees or agents, and any member, officer, employee or agent of the County or the Corporation, may in good faith, buy, sell, own, hold and deal in any Bonds issued under the provisions of this Indenture and may join in any action which any Holder may be entitled to take with like effects as if such Trustee were not a trustee and such bank or trust company were not a Depositary under this Indenture or as if such member, officer, employee or agent of the County or the Corporation did not serve in such capacity.

Section 14.13. Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 14.14. Legal Holidays. Except to the extent a Supplemental Indenture provides otherwise:

(a) subject to subsection (b), when any action is provided herein or therein to be done on a day or within a time period named, and the day or the last day of the period falls on a day on which banking institutions in the jurisdiction where the principal corporate trust office of the Trustee is located are authorized by law to remain closed, the action may be done on the next ensuing day not a day on which banking institutions in such jurisdiction are authorized by law to remain closed with effect as though done on the day or within the time period named.

(b) when the date on which principal of or interest or premium on any Bond is due and payable is a day on which banking institutions at the place of payment are authorized by law to remain closed, payment may be made on the next ensuing day on which banking institutions at such place are not authorized by law to remain closed with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date.

Section 14.15. Headings. Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

Section 14.16. Further Authority. The officers of the County and other agents or employees of the County are hereby authorized to do all acts and things required of them by this Indenture for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Indenture.

By _____
Clerk

By _____
Trustee

SEAL

By _____
Vice President

By _____
Assistant Secretary

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first above written.

COUNTY OF HENDERSON, NORTH CAROLINA

SEAL

By: _____
Chairman

Attest:

By: _____
Clerk

**FIRST-CITIZENS BANK & TRUST COMPANY, as
Trustee**

SEAL

By: _____
Vice President

By: _____
Assistant Secretary

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the date first above written.



COUNTY OF HENDERSON, NORTH CAROLINA

By: [Signature]
Chairman

Attest:

By: Elizabeth W. Corn
Clerk

FIRST-CITIZENS BANK & TRUST COMPANY, as
Trustee

SEAL

By: _____
David J. Klimczak
Vice President

By: _____
Assistant Secretary

Master Trust Indenture

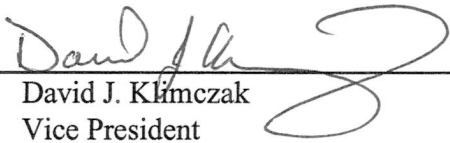
WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly
all as of the date first above written.


COUNTY OF HENDERSON, NORTH CAROLINA

By: _____
Chairman

Clark

FIRST-CITIZENS BANK & TRUST COMPANY, as
Trustee

By:  _____
David J. Klimczak
Vice President


Assistant Secretary

Master Trust Indenture

THIRD SUPPLEMENTAL TRUST INDENTURE

by and between

COUNTY OF HENDERSON, NORTH CAROLINA

and

U.S. BANK NATIONAL ASSOCIATION

Dated as of June 1, 2010

relating to

\$3,000,000

**County of Henderson, North Carolina
Hospital Revenue Bond
(Margaret R. Pardee Memorial Hospital Project),
Series 2010**

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THIRD SUPPLEMENTAL TRUST INDENTURE

THIS THIRD SUPPLEMENTAL TRUST INDENTURE, dated as of June 1, 2010 (this "*Third Supplemental Indenture*"), by and between the **COUNTY OF HENDERSON, NORTH CAROLINA**, a political subdivision of the State of North Carolina (the "*County*"), and **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "*Trustee*"), having an office in Raleigh, North Carolina, duly organized and existing under the laws of the United States of America, being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the State of North Carolina, supplements that certain Master Trust Indenture dated as of September 1, 2001, which is also by and between the County and the Trustee (the "*Indenture*").

WHEREAS, the County has acquired three medical office buildings in connection with the Hospital Facility;

WHEREAS, the County intends to reimburse itself for funds advanced for such purchase (the "*2010 Project*");

WHEREAS, the Indenture provides, in Section 2.08 thereof, for the issuance of revenue bonds and, in Section 10.02 thereof, for the execution and delivery of Supplemental Indentures setting forth the terms of such revenue bonds;

WHEREAS, the County now, for the purpose of providing money to reimburse the 2010 Project and pay certain issuance expenses, by execution and delivery of this Third Supplemental Indenture and in compliance with the provisions of the Indenture, sets forth the terms of its \$3,000,000 County of Henderson, North Carolina, Hospital Revenue Refunding Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010 (the "*Series 2010 Bond*"), provides for the use of the proceeds of the Series 2010 Bond and makes other provisions relating to the Series 2010 Bond;

WHEREAS, on June 7, 2010, the Board of Commissioners of the County adopted a Bond Order, authorizing the Series 2010 Bond and the execution and delivery of this Third Supplemental Indenture (the "*Bond Order*").

GRANTING CLAUSES

In addition to the security for the Series 2010 Bond pledged under the Indenture, to further secure the payment of the Series 2010 Bond, the County, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, as security for the payment of the principal of and premium, if any, and interest on the Series 2010 Bond, and for the funds which may be advanced by the Trustee pursuant hereto and the performance and observance by the County of the covenants and obligations expressed herein and in the Series 2010 Bond, does hereby irrevocably pledge, grant, bargain, sell, convey, transfer and assign unto the Trustee, and its successors and assigns in trust, the following described property (collectively, the "*Trust Estate*"):

All the rights and interest of the County in and to the Series 2010 Bond Fund (hereinafter defined) and all moneys and investments therein, but subject to the provisions of this Third Supplemental Indenture and the Indenture pertaining thereto, including those pertaining to the making of disbursements therefrom; and

All moneys, securities and obligations from time to time held by the Trustee under the terms of this Third Supplemental Indenture and the Indenture (except for moneys, securities or obligations

deposited with or paid to the Trustee for redemption or payment of Series 2010 Bond, which is deemed to have been paid in accordance with Article XI and funds held pursuant to Sections 6.04 and 6.05, which shall be held by the Trustee in accordance with the provisions of said Article XI or Sections 6.04 and 6.05, as the case may be).

TO HAVE AND TO HOLD all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee and its successor and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trust herein set forth for the benefit, security and protection of the owner of the Series 2010 Bond issued under and secured by this Third Supplemental Indenture and the Indenture to the extent of any obligations due thereunder, as its interests may appear; provided, however, that if the County, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Series 2010 Bond and the interest due thereon at the times and in the manner provided in the Series 2010 Bond according to the true intent and meaning thereof, and shall make the payments in the Series 2010 Bond Fund as required hereunder or shall provide, as permitted hereby, for the payment thereof by depositing or causing to be deposited with the Trustee the amount specified herein, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Third Supplemental Indenture and the Indenture to be kept, performed and observed by it, and shall pay to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon such final payments this Third Supplemental Indenture and the rights hereby granted shall cease, determine and be void; otherwise, this Third Supplemental Indenture and the Indenture to be and remain in full force and effect; and

THIS THIRD SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that, and it is expressly declared, the Series 2010 Bond issued and secured hereunder is to be issued, authenticated and delivered and all said revenues and income hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the County has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the owner of the Series 2010 Bond, as follows:

ARTICLE I

DEFINITIONS

Section 1.1 ***Meaning of Words and Terms.*** Unless otherwise required by the context, words and terms used herein which are defined in the Indenture shall have the meanings assigned to them therein, except as hereinafter set forth:

“*Bond Counsel*” means Parker Poe Adams & Bernstein LLP, Charlotte, North Carolina or any other nationally recognized municipal bond counsel selected by the County and acceptable to the LGC and the Trustee.

“*Bond Order*” means the Bond Order adopted by the Board of Commissioners of the County on June 7, 2010, authorizing the Series 2010 Bond and the execution and delivery of Third Supplemental Indenture and related documents.

“*Finance Director*” means the Finance Director of the County, the person performing the duties of the Finance Director or the official succeeding to the Finance Director’s principal functions, and, for purposes of any certificate of the Finance Director required pursuant to this Third Supplemental Indenture “*Finance Director*” may include the Deputy County Manager.

“*Initial Purchaser*” means Branch Banking and Trust Company and its successors and assigns (also referred to as Holder or owner) and any subsequent Holder of the 2010 Bond.

“*Interest Account*” means the account in the Series 2010 Bond Fund created and so designated by Section 6.01 of this Third Supplemental Indenture.

“*Interest Payment Date*” means the first Business Day of each April and October, beginning October 1, 2010.

“*Lease Agreement*” means the Amended and Restated Lease Agreement dated as of September 1, 2001, between the County and the Corporation, as amended and supplemented to date.

“*Paying Agent*” means the bank or trust company named by the County as the entity responsible for payment of the principal of and premium, if any, and interest on the Series 2010 Bond, and its successors and assigns as permitted hereby. The Paying Agent shall initially be the Trustee.

“*Payment Schedule*” means the schedule of installments of principal and interest set forth in Exhibit A to the Series 2010 Bond and incorporated herein.

“*Principal Account*” means the account in the Series 2010 Bond Fund created and so designated by Section 6.01 of this Third Supplemental Indenture.

“*Principal Payment Date*” means the first Business Day of each month, beginning June 1, 2010.

“*Series 2010 Bond*” means the \$3,000,000 aggregate principal amount of Bonds issued under the Indenture and this Third Supplemental Indenture and designated “County of Henderson, North Carolina, Hospital Revenue Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010.”

“*Tax Certificate*” means the Arbitrage and Tax Regulatory Certificate executed by the Corporation and the County in connection with the delivery of the Series 2010 Bond.

“*Trust Estate*” means the property conveyed to the Trustee pursuant to the granting clauses hereof.

“*Value*” means the value of any investments calculated as follows:

(a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(d) as to any investment not specified above: the value thereof established by prior agreement between the County and the Trustee.

Section 1.2 **Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words “Bond,” “owner,” “Holder” and “Person” shall include the plural as well as the singular number.

Section 1.3 **Incorporation of Definitions Contained in the Indenture.** Except as otherwise provided in Section 1.01, all words, terms and phrases defined in the Indenture shall have the same meanings herein as in the Indenture.

Section 1.4 **Article and Section References.** Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Third Supplemental Indenture.

ARTICLE II

AUTHORIZATION, FORM, ISSUANCE AND DELIVERY OF THE SERIES 2010 BOND

Section 2.1 **Authorized Amount of the Series 2010 Bond.** The Series 2010 Bond may not be issued under the provisions of this Third Supplemental Indenture except in accordance with this Article. The total principal amount of the Series 2010 Bond that may be issued is hereby expressly limited to \$3,000,000, except as provided in Section 2.09 of the Indenture.

Section 2.2 **Details of the Series 2010 Bond.**

(a) The Series 2010 Bond (i) shall be designated “County of Henderson, North Carolina, Hospital Revenue Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010”, (ii) shall be issued in the aggregate principal amount of \$3,000,000, (iii) shall be dated the date of delivery and numbered as hereinafter provided, (iv) shall mature in annual installments ending on October 1, 2015, subject to prior redemption and (v) shall be issued bearing interest at the rate of 2.93% per annum. The Series 2010 Bond shall be issued as a registered Series 2010 Bond without coupons as hereinafter provided.

(b) The Series 2010 Bond shall bear interest from its date payable on each Interest Payment Date set forth in the Payment Schedule, such interest being payable in arrears. The Series 2010 Bond shall bear interest from and including the date thereof until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions hereof, whether at maturity, upon redemption or otherwise. Interest on the Series 2010 Bond shall be paid on each Interest Payment Date and shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

The Series 2010 Bond shall mature (subject to the right of prior redemption) in annual principal installments on each Principal Payment Date as set forth in the Payment Schedule.

Section 2.3 **Execution.** The Series 2010 Bond shall be executed on behalf of the County by the manual or facsimile signatures of the Chairman, or Vice Chairman of the Board of Commissioners of the County and attested by the Clerk or Deputy Clerk of the Board of Commissioners of the County and shall have impressed or imprinted thereon the seal of the County. A facsimile signature and seal shall have the same force and effect as if personally signed. In case any officer whose signature or facsimile of whose signature shall appear on the Series 2010 Bond shall cease to be such officer before the delivery of such Series 2010 Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

Section 2.4 **Limited Obligation.** The Series 2010 Bond, together with interest thereon, shall be payable from the Series 2010 Bond Fund as hereinafter set forth and shall be a valid claim of the Holder of the Series 2010 Bond only against the Series 2010 Bond Fund and the Net Revenues, which Net Revenues are hereby pledged for the payment of the Series 2010 Bond (principal, premium, if any, and interest) and shall be used for no other purpose than to pay the principal of and premium, if any, and interest on the Series 2010 Bond and the Paying Agent's and the Trustee's fees, except as may be otherwise expressly authorized in this Third Supplemental Indenture. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2010 BOND OR OTHER COSTS INCIDENT THERETO EXCEPT FROM THE NET REVENUES AND OTHER FUNDS PLEDGED TO THE TRUSTEE UNDER THIS THIRD SUPPLEMENTAL INDENTURE, THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2010 BOND. THE SERIES 2010 BOND SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE COUNTY, WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION REQUIRING VOTER APPROVAL. NO PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, EMPLOYEE, REPRESENTATIVE OR AGENT OF THE CORPORATION OR THE COUNTY SHALL BE PERSONALLY LIABLE BY REASON OF THE ISSUANCE OF SUCH SERIES 2010 BOND OR THE EXECUTION OF THIS THIRD SUPPLEMENTAL INDENTURE OR THE INDENTURE, AND NO COVENANT, AGREEMENT OR OBLIGATION CONTAINED IN ANY BOND OR HEREIN SHALL BE DEEMED TO BE A COVENANT, AGREEMENT OR OBLIGATION OF ANY PRESENT OR FUTURE DIRECTOR, OFFICER, MEMBER, EMPLOYEE, REPRESENTATIVE OR AGENT OF THE CORPORATION OR COUNTY IN HIS OR HER INDIVIDUAL CAPACITY.

The provisions of this Section shall control every other provision of this Third Supplemental Indenture, anything in such other provisions to the contrary notwithstanding.

Section 2.5 **Authentication.** Only the Series 2010 Bond as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit A attached hereto duly executed by the Trustee and the LGC shall be entitled to any right or benefit under this Third Supplemental Indenture. The Series 2010 Bond shall not be valid and obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee and the LGC, and such certificate of the Trustee and the LGC upon any such Series 2010 Bond shall be conclusive evidence that such Series 2010 Bond has been authenticated and delivered under this Third Supplemental Indenture. The Trustee's and the LGC's certificate of authentication on any Series 2010 Bond shall be deemed to have been executed if signed by an authorized officer of the Trustee or the LGC, respectively.

Section 2.6 **Delivery of the Series 2010 Bond.** (a) The County shall execute and deliver to the Trustee and the Trustee and the LGC shall authenticate the Series 2010 Bond and deliver said Series 2010 Bond to the Initial Purchaser. In addition to the items listed in Section 2.06 of the Indenture, prior to the delivery and original issuance by the Trustee of the authenticated Series 2010 Bond there shall be or have been delivered to the Trustee:

- (i) an original executed counterpart of this Third Supplemental Indenture;
- (ii) a certified copy of the Lease Agreement;
- (iii) an original executed Tax Certificate;

- (iv) a certified copy of the Indenture;
- (v) a written order or direction to the Trustee by the County to authenticate and deliver the Series 2010 Bond to the Initial Purchaser, upon payment to the Trustee for the account of the County of a sum specified in such written order or direction and;
- (vi) an opinion of Bond Counsel substantially to the effect that the Series 2010 Bond is a valid and binding obligation and that the interest on the Series 2010 Bond will be excludable from gross income for federal income tax purposes and that the Series 2010 Bond is a “qualified tax exempt obligation” under Section 265(b)(3) of the Code; and
- (vii) a letter, addressed to the County and the LGC, from the Initial Purchaser, in form and substance satisfactory to each, to the effect that the Initial Purchaser had the knowledge and experience in financial and business matters, that it was capable of evaluating the merits and risks of the investment in the Series 2010 Bond and that it was purchasing the Series 2010 Bond for investment purposes only.

(b) The proceeds of the Series 2010 Bond shall be delivered directly to the County, without requisition therefor, for reimbursement for the 2010 Project and to pay costs of issuance in connection with the delivery of the Series 2010 Bond.

Section 2.7 **Registration and Transfer of the Series 2010 Bond.** The Series 2010 Bond may be only transferred or assigned to a bank, insurance company, or similar financial institution or any entity approved by the LGC. The Trustee shall keep books for the registration and for the transfer of the Series 2010 Bond as provided in this Third Supplemental Indenture at the principal corporate trust office of the Trustee. The person in whose name the Series 2010 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and payment of or on account of the principal of, premium, if any, and interest on the Series 2010 Bond shall be made only to or upon the order of the registered owner thereof, or his legal representative, and neither the County, the Trustee nor the Paying Agent shall be affected by any notice to the contrary unless such registration is changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Series 2010 Bond to the extent of the sum or sums so paid.

The transfer of the Series 2010 Bond may be registered only on the books of registration kept by the Trustee by the registered owner in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. Upon surrender for transfer of the Series 2010 Bond at the principal corporate office of the Trustee, the County shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Series 2010 Bond in the same aggregate principal amount.

Such registrations of transfer or exchanges of the Series 2010 Bond shall be without charge to the Holder of the Series 2010 Bond, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the Holder of the Series 2010 Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

ARTICLE III

REDEMPTION OF THE SERIES 2010 BOND

Section 3.1 **Terms of Redemption.** The Series 2010 Bond shall be subject to redemption prior to maturity at the option of the County, upon the written direction of an Authorized Corporation

Representative, in whole on any Business Day at a redemption price equal to 100% of the principal amount being redeemed plus accrued interest to the redemption date.

Section 3.2 **Notice.** Notice of redemption, identifying the Series 2010 Bond being called and the date on which it shall be presented for payment, shall be given by the Trustee by registered or certified mail to the registered owner of such Bond to be redeemed in whole addressed to such registered owner at its address as shown on the registration books maintained by the Trustee not more than sixty (60) days nor less than thirty (30) days prior to the date fixed for redemption; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2010 Bond with respect to which no such failure or defect has occurred.

Such redemption notice shall also be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to the Local Government Commission of North Carolina, 325 North Salisbury Street, Raleigh, North Carolina 27603-1385.

Section 3.3 **Redemption Payments.** On or prior to the date fixed for redemption, funds shall be deposited with the Trustee to pay, and the Trustee is hereby authorized and directed to apply such funds in accordance with Article III of the Indenture to the payment of the Series 2010 Bond or portions thereof called, together with accrued interest thereon to the redemption date and any required premium. Upon the giving of notice and the deposit of funds for redemption, interest on the Series 2010 Bond or portions thereof thus called shall no longer accrue after the date fixed for redemption.

Section 3.4 **Cancellation.** The Series 2010 Bond that shall have been redeemed shall not be reissued but shall be canceled and disposed of by the Trustee in accordance with Section 2.12 of the Indenture.

ARTICLE IV

ADDITIONAL COVENANTS

Section 4.1 **Performance of Covenants.** The County shall faithfully observe and perform all covenants, conditions and agreements on its part contained in the Indenture, this Third Supplemental Indenture, the Series 2010 Bond executed, authenticated and delivered hereunder and in all proceedings of the County Commissioners pertaining thereto; provided, however, that the liability of the County under any such covenant, condition or agreement for any breach or default by the County thereof or thereunder shall be limited solely to the Net Revenues. No breach by the County of this Third Supplemental Indenture, the Indenture or of any provision or condition hereof or in the Series 2010 Bond or of any agreement contained herein or in the Series 2010 Bond shall result in the imposition of any pecuniary liability upon the County or the State or any political subdivision or agency of the State or any charge upon the general credit or against the taxing power of the County, the State, or any political subdivision or agency of the State. The liability of the County under this Third Supplemental Indenture and the Series 2010 Bond, or any provision or condition hereof or thereof, or of any agreement herein or in the Series 2010 Bond contained, or of any warranty herein or in the Series 2010 Bond included, or for any breach or default by the County of any of the foregoing, shall be limited solely and exclusively to the pledged Net Revenues. The County shall not be required to execute or perform any of its duties, obligations, powers, or covenants hereunder or under the Series 2010 Bond except to the extent the pledged Net Revenues are available therefor.

The County represents that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue, sell and deliver the Series 2010 Bond authorized hereby and to execute this Third Supplemental Indenture and to pledge the Net Revenues of the Hospital System in the manner and to the extent herein set forth; that all action on its part for the

issuance, sale and delivery of the Series 2010 Bond and the execution and delivery of this Third Supplemental Indenture, the Indenture and the Lease Agreement has been duly and effectively taken; and that the Series 2010 Bond in the hands of the Holders thereof are and will be valid and enforceable obligations of the County according to the import thereof.

Section 4.2 ***Instruments of Further Assurance.*** The County covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such indenture or indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, mortgaging, pledging, assigning and confirming unto the Trustee the Trust Estate; provided that, the County shall not be required to do or take any action after the issuance of the Series 2010 Bond and until the Corporation has satisfied any demand by the County for advance payment of any fees, or adequate assurance of future payment, for any expenses, or costs that may be incurred or anticipated by it in connection with the performance of any act or thing that it may be called upon or required to do under the terms of the Lease Agreement.

Section 4.3 ***Recordation and Other Instruments.*** The County and the Trustee covenant that they will cause this Third Supplemental Indenture, the Indenture, the Lease Agreement, such security agreements, financing statements and all supplements thereto, including, without limitation, all continuation statements, and other instruments as may be required from time to time to be kept, to be recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the Holder of the Series 2010 Bond and the rights of the Trustee and County hereunder, and to perfect the security interest created by this Third Supplemental Indenture.

Section 4.4 ***Rights Under the Lease Agreement.*** The Lease Agreement, a certified copy of which has been filed with the Trustee, sets forth the covenants and obligations of the County and the Corporation, including provisions that subsequent to the issuance of the Series 2010 Bond and prior to their payment in full or provision for payment thereof in accordance with the provisions hereof, the Lease Agreement may not be effectively amended, changed, modified, altered or terminated, or any provision waived without the written consent of the Trustee, such consent is not to be unreasonably withheld, and reference is hereby made to the same for a detailed statement of said covenants and obligations of the Corporation thereunder. The County agrees that the Trustee in its name or in the name of the County may enforce all rights of the County and all obligations of the Corporation under and pursuant to the Lease Agreement for and on behalf of the Holders, whether or not the County is in default hereunder.

Section 4.5 ***Prohibited Activities.*** The County and the Trustee covenant that neither of them shall take any action or suffer or permit any action to be taken or condition to exist which causes or may cause the interest on the Series 2010 Bond to be includable in gross income of the owner thereof for purposes of federal income taxation. Without limiting the generality of the foregoing, the County and the Trustee covenant that the proceeds of the sale of the Series 2010 Bond, the earnings thereon, and any other moneys on deposit in any fund or account maintained in respect of the Series 2010 Bond (whether such moneys were derived from the proceeds of the sale of the Series 2010 Bond or from other sources), will not be used directly or indirectly in such manner as to cause the Series 2010 Bond to be treated as an “arbitrage bond” within the meaning of Section 148 of the Code.

ARTICLE V

[RESERVED]

ARTICLE VI

SERIES 2010 BOND FUND

Section 6.1 ***Creation of the Series 2010 Bond Fund.*** There is hereby created and ordered to be established with the Trustee, a trust fund in the name of the County to be designated “County of Henderson, North Carolina, Hospital Revenue Bond (Margaret R. Pardee Hospital Project), Series 2010 Bond Fund” (herein sometimes called the “*Series 2010 Bond Fund*”). There is hereby created and ordered to be established within the Series 2010 Bond Fund two accounts to be designated the “*Interest Account*” and the “*Principal Account.*” As provided in the granting clauses hereof, the Series 2010 Bond Fund is subject to a lien and charge in favor of the Holder of the Series 2010 Bond.

Section 6.2 ***Deposit and Application of Moneys in the Series 2010 Bond Fund.*** There shall be deposited in the Series 2010 Bond Fund, as and when received, (1) all Net Revenues and (2) all other moneys received by the Trustee under and pursuant to any of the provisions of the Lease Agreement, the Indenture and this Third Supplemental Indenture that are required to be paid in the Series 2010 Bond Fund or which are accompanied by directions not inconsistent with the provisions of the Lease Agreement, the Indenture and this Third Supplemental Indenture that such moneys are to be paid in the Series 2010 Bond Fund. The Trustee shall deposit all amounts received as in the following order:

(a) ***Interest Account.*** So long as the Series 2010 Bond is Outstanding, on or before the twenty-fifth day of the month preceding each Interest Payment Date, the County shall promptly deposit with the Trustee, or cause to be deposited with the Trustee, in the Interest Account sufficient sums to pay the interest on the Series 2010 Bond on each Interest Payment Date. The Trustee shall deposit in the Interest Account all proceeds furnished by the County or the Corporation to the Trustee and any other moneys from any other source furnished to the Trustee. The Trustee shall establish separate subaccounts within the Interest Account for each deposit (including any investment income thereon) made in the Interest Account so that the Trustee may at all times ascertain the date of deposit of the moneys in each subaccount.

(b) ***Principal Account.*** So long as the Series 2010 Bond is Outstanding, on or before the twenty-fifth day of the month preceding each Principal Payment Date, the County shall deposit with the Trustee, or cause to be deposited with the Trustee, sufficient sums to pay the principal installments of the Series 2010 Bond on each Principal Payment Date.

To the extent that investment earnings are credited to the Interest Account or Principal Account in accordance with Section 6.02 or amounts are credited thereto as a result of the application of Series 2010 Bond proceeds or a transfer of investment earnings on any other fund or account held by the Trustee, or otherwise, future deposits to such Accounts shall be reduced by the amount so credited, and the payments due from the County in the months following the date upon which such amounts are credited shall be reduced by the amounts so credited.

(c) ***Application of Money in the Interest Account.*** On each Interest Payment Date, or date upon which Series 2010 Bonds are to be redeemed, the Trustee shall withdraw from the Interest Account and remit by wire transfer or other means, in immediately available funds, the amounts required for paying interest on the Series 2010 Bond to the Holder. The Trustee shall, on each Interest Payment Date remit by mail to each Holder the amount required for paying the interest on such Series 2010 Bonds when due and payable or, upon the written request of the Holder of the Series 2010 Bond, by wire transfer to any account in the continental United States specified by such Holder.

If the balance in the Interest Account on an Interest Payment Date, or date upon which the Series 2010 Bond is to be redeemed, is insufficient for the payment of interest becoming due on the Series 2010

Bond on the next ensuing Interest Payment Date or date upon which the Series 2010 Bond is to be redeemed, the Trustee shall notify the County and the Corporation of the amount of such deficiency.

(d) ***Application of Money in the Principal Account.*** On each Principal Payment Date, or date upon which Series 2010 Bonds are to be redeemed, the Trustee shall withdraw from the Principal Account and remit by wire transfer or other means, in immediately available funds, the amounts required for paying principal on the Series 2010 Bond to the Holder. The Trustee shall, on each Principal Payment Date remit by mail to each Holder the amount required for paying the principal on such Series 2010 Bonds when due and payable or, upon the written request of the Holder of the Series 2010 Bond, by wire transfer to any account in the continental United States specified by the Holder.

If the balance in the Principal Account on any Principal Payment Date, or date upon which the Series 2010 Bond is to be redeemed, is insufficient for the payment of principal becoming due on the Series 2010 Bond on the next ensuing Principal Payment Date or date upon which the Series 2010 Bond is to be redeemed, the Trustee shall notify the County and the Corporation of the amount of such deficiency.

Section 6.3 ***Withdrawals from the Series 2010 Bond Fund.*** The County hereby irrevocably authorizes and directs the Trustee to withdraw from the Series 2010 Bond Fund sufficient funds to pay the principal of, premium, if any, and interest on the Series 2010 Bond at maturity and redemption prior to maturity, and to use such funds for the purpose of paying principal, premium, if any, and interest and the purchase price in accordance with the provisions hereof pertaining to payment or purchase, which authorization and direction the Trustee hereby accepts.

Section 6.4 ***Non-Presentation of Series 2010 Bond.*** In the event the Series 2010 Bond shall not be presented for payment when the principal thereof becomes due, whether at maturity, upon acceleration, upon call for redemption, upon demand for purchase, or otherwise, if there shall have been deposited with the Trustee for that purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, and premium, if any, together with all interest unpaid and due thereon, to the due date thereof, for the benefit of the Holder thereof, all liability of the County to the Holder thereof for the payment of the principal thereof, premium, if any, and interest thereon, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for benefit of the Holder of the Series 2010 Bond, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Third Supplemental Indenture or the Indenture with respect to the Series 2010 Bond; it being understood and agreed that so long as the Initial Purchaser is the sole Holder of the Series 2010 Bond, the Initial Purchaser shall not be required to present the Series 2010 Bond for payment of a principal installment in the ordinary course.

Any moneys deposited with the Trustee or then held by the Trustee in trust for the payment of the principal of and redemption premium, if any, or interest on the Series 2010 Bond and remaining unclaimed for five years after such principal and premium, if any, or interest has become due shall be treated as abandoned property pursuant to the provisions of Chapter 116B of the North Carolina General Statutes, and the County, the Remarketing Agent, the Trustee and the Corporation shall have no responsibility with respect to such money.

Section 6.5 ***Fees, Expenses and Charges of County, Trustee and Paying Agent.*** It is understood and agreed that pursuant to the provisions of Section 4.07 of the Lease Agreement, the Corporation agrees to pay the fees, expenses and charges of the Trustee and the Paying Agent as authorized and provided by the Indenture, this Third Supplemental Indenture and, pursuant to Section 4.07 of the Lease Agreement, the fees, expenses and charges of the County as authorized, required and provided by the Indenture, this Third Supplemental Indenture and the Lease Agreement. All such

payments under the Lease Agreement which are received by the Trustee shall not be paid in the Series 2010 Bond Fund, but shall be segregated by the Trustee and expended solely for the purpose for which such payments are received. The County may demand payment in advance, or adequate assurance of future payment, for any and all acts or things that it may be called upon, requested or required to do or perform in the future under the terms hereof.

Section 6.6 ***Moneys to be Held in Trust.*** All moneys required to be deposited with or paid to the Trustee under any provision of this Third Supplemental Indenture shall be held by the Trustee in trust for the benefit of the Holder of the Series 2010 Bond as herein provided, and except for (a) moneys deposited with or paid to the Trustee for the redemption of Series 2010 Bond notice of which redemption has been duly given, (b) moneys held by the Trustee to pay the fees, expenses and charges of the County, Trustee and Paying Agent as contemplated in Section 6.05, and (d) moneys deposited with or paid to the Trustee pursuant to Article XI, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien hereof. Any moneys received by or paid to the Trustee pursuant to any provisions of the Lease Agreement calling for the Trustee to hold, administer and disburse the same in accordance with the specific provisions of the Lease Agreement shall be held, administered and disbursed pursuant to such provisions, and where required by the provisions of the Lease Agreement the Trustee shall set the same aside in a separate account. The County agrees that if it shall receive any moneys pursuant to applicable provisions of the Lease Agreement, it will forthwith upon receipt thereof pay the same over to the Trustee to be held, administered and disbursed by the Trustee in accordance with the provisions of the Lease Agreement pursuant to which the County may have received the same. Furthermore, if for any reason the Lease Agreement ceases to be in force and effect while the Series 2010 Bond is Outstanding, the County agrees that if it shall receive any moneys derived from the Hospital System, it will forthwith upon receipt thereof pay the same over to the Trustee to be held, administered and disbursed by the Trustee in accordance with provisions of the Lease Agreement that would be applicable if the Lease Agreement were then in force and effect, and if there be no such provisions which would be so applicable, then the Trustee shall hold, administer and disburse such moneys solely for the discharge of the County's obligations under this Third Supplemental Indenture.

ARTICLE VII

DEPOSITORIES OF MONEY, SECURITY FOR DEPOSITS, INVESTMENT OF FUNDS

Section 7.1 ***Security for Deposits.*** Any and all money deposited or cause to be deposited by the County with the Trustee (or one or more other Depositories as provided in the Indenture), except for the amounts in the Operating Fund to be used to pay Operating Expenses, shall be trust funds under the terms hereof and shall not be subject to any lien or attachment by any creditor of the County or the Corporation. Such money shall be held in trust and applied in accordance with the provisions of this Third Supplemental Indenture and the Indenture.

Until money deposited with the Trustee or any other Depository hereunder is invested in Permitted Investments, the amount of money in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured, for the benefit of the County and the Holder, either (a) by lodging with a bank or trust company chosen by the Trustee as custodian or, if then permitted by law, by setting aside under control of the trust department of the bank holding such deposit, as collateral security, Government Obligations or other marketable securities eligible as security for the deposit of trust funds under regulations of the Comptroller of the Currency of the United States or applicable State law or regulations, having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) above is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Trustee to give security for the

deposit of any money with it for the payment of the principal of or the redemption premium or the interest on the Series 2010 Bond, or for the Trustee or any Depositary to give security for any money that shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

All money deposited with the Trustee or any Depositary shall be credited to the particular fund or account to which such money belongs.

Section 7.2 ***Investment of Money.*** Money held for the credit of all funds and accounts created under this Third Supplemental Indenture or the Indenture may be continuously invested and reinvested by the Trustee in Permitted Investments to the extent permitted by law. Any such Permitted Investments shall mature not later than the respective dates when the money held for the credit of such funds or accounts will be required for the purposes intended. Notwithstanding the foregoing, no Permitted Investments in any fund or account may mature beyond the maturity date of the Series 2010 Bond at the time such Permitted Investments are deposited. For the purposes of this Section, the maturity date of repurchase agreements is the maturity date of such repurchase agreements and not the maturity date of the underlying obligations.

The County shall give to the Trustee, or shall cause to be given to the Trustee, written directions respecting the investment of any money required to be invested hereunder, subject, however, to the provisions of this Article, and the Trustee shall then invest such money under this Section as so directed by the County. The Trustee may request, in writing, direction or authorization of the County with respect to the proposed investment of money under the provisions of this Third Supplemental Indenture. Upon receipt of such request, accompanied by a memorandum setting forth the details of any proposed investment, the County will either approve such proposed investment or will give written directions to the Trustee respecting the investment of such money and, in the case of such directions, the Trustee shall then, subject to the provisions of this Article, invest such money in accordance with such directions.

Permitted Investments acquired with money and credited to any fund or account established under this Third Supplemental Indenture or the Indenture shall be held by or under the control of the Trustee and while so held shall be deemed at all times to be part of such fund or account in which such money was originally held, and the interest accruing thereon and any profit or loss realized upon the disposition or maturity of such investment shall be credited to or charged against such fund or account. The Trustee shall reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary so to do in order to provide moneys to make any payment or transfer of moneys from any such fund or account. The Trustee shall not be liable or responsible for any loss resulting from any investment in accordance with this Third Supplemental Indenture.

Whenever a payment or transfer of money between two or more of the funds or accounts established pursuant to this Third Supplemental Indenture or the Indenture is permitted or required, such payment or transfer may be made in whole or in part by transfer of one or more Permitted Investments at a value determined in accordance with this Article VI, provided that the Permitted Investments transferred are those in which moneys of the receiving fund or account could be invested at the date of such transfer.

The Trustee shall maintain and keep such records of the investments permitted by this Section as are necessary to make all computations required under Section 148(f) of the Code. The Trustee hereby accepts and agrees to perform all of the duties and obligations of the Trustee set forth in the Tax Certificate.

Section 7.3 ***Valuation.*** For the purpose of determining the amount on deposit to the credit of any such fund or account, Permitted Investments in which money in any fund or account is invested shall be valued (a) at cost if such Permitted Investments mature within six months from the date of valuation thereof, and (b) if such Permitted Investments mature more than six months after the date of valuation

thereof, at the price at which such Permitted investments are redeemable by the holder at his option if so redeemable, or, if not so redeemable, at the lesser of (i) the cost of such Permitted Investments minus the amortization of any premium or plus the amortization of any discount thereon and (ii) the market value of such Permitted Investments.

All Permitted Investments in all of the funds and accounts established under this Third Supplemental Indenture or the Indenture, except the Operating Fund, shall be valued two (2) Business Days prior to any Interest Payment Date. In addition, the Permitted Investments in such funds and accounts shall be valued at any time requested by the County Representative or the Corporation Representative on reasonable notice to the Trustee (which period of notice may be waived or reduced by the Trustee); provided, however, that the Trustee shall not be required to value the Permitted Investments more than once in any calendar month.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.1 *Events of Default Under the Indenture.* The events of default set forth in Section 7.01 of the Indenture shall each constitute an Event of Default under this Third Supplemental Indenture, and the Trustee shall have all rights and remedies hereunder as set forth in the Indenture, provided, however, and so long as the Initial Purchaser is the sole Holder of the Series 2010 Bonds, the Initial Purchaser shall have the right to give notice of default under Sections 7.01(c) and (e) of the Indenture.

Section 8.2 *Events of Default Under Third Supplemental Indenture.* In addition, each of the following shall constitute an Event of Default under the Indenture and this Third Supplemental Indenture:

(a) Default in the due and punctual payment of any interest on the Series 2010 Bond;
and

(b) Default in the due and punctual payment of the principal of and premium, if any, on any Series 2010 Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by acceleration.

The term “*default*” as used in clauses (a) and (b) above shall mean default by the County in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Third Supplemental Indenture, or in the Series 2010 Bond hereunder, exclusive of any period of grace required to constitute a default an “*Event of Default*” as provided in the Indenture.

Section 8.3 *Acceleration.*

Upon the occurrence and during the continuation of an Event of Default, the Trustee may, and in certain events shall, declare the principal of the Series 2010 Bond secured by the Indenture and interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Such declarations shall be made as follows: Upon the occurrence and continuation of an Event of Default described in clause (a) and (b) of Section 8.02, the Trustee shall declare the Series 2010 Bond immediately due and payable as set forth above. Upon the occurrence and continuation of an Event of Default described in clause (d) of Section 8.02 or Section 7.01 of the Indenture, the Trustee may, and upon the written request of the Holder, shall declare the Series 2010 Bond immediately due and payable as set forth above. In each case, the Trustee shall declare such an Event of Default and acceleration of the Series 2010 Bond by notice in writing delivered to the County,

the Corporation and the LGC. Upon any such declaration the County shall forthwith pay to the Holder of the Series 2010 Bond the entire unpaid principal of, premium, if any, and accrued interest on the Series 2010 Bond, but only from the Revenues and other funds specifically pledged for such purpose.

Section 8.4 ***Waivers of Events of Default.*** So long as the Initial Purchaser is the sole Holder of the Series 2010 Bond, the Trustee shall not waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal and shall do so only upon the written request of the Holder of the Series 2010 Bond; provided, however, that there shall not be waived any Event of Default described in Section 8.02 unless prior to such waiver or rescission all arrears of principal (due otherwise than by declaration) and interest and all expenses of the Trustee, shall have been paid or provided for, and in case of any such waiver or rescission the County, Trustee and the Holder shall be restored to their former positions and rights hereunder respectively; but no such waiver or rescission shall extend to any subsequent or other default, or impair any right subsequent thereon.

ARTICLE IX

THE TRUSTEE

Section 9.1 ***Acceptance of Duties by Trustee.*** The Trustee shall signify its acceptance of the duties and obligations and the trusts imposed upon it by this Third Supplemental Indenture and the Indenture by execution of the certificate of authentication on the Series 2010 Bond. So long as the Initial Purchaser is the sole Holder of the Series 2010 Bond, any successor Trustee duly appointed by the County under Section 8.15 of the Indenture shall be reasonably acceptable to the Initial Purchaser.

Section 9.2 ***Notice of Bonds Outstanding.*** The Trustee shall deliver to the LGC by July 10 of each year the amount of the Series 2010 Bonds outstanding as of June 30 of such year.

ARTICLE X

ADDITIONAL SUPPLEMENTAL INDENTURES

Section 10.1 ***Procedure for Approval, Execution and Delivery of Additional Supplemental Indentures.*** The County may, from time to time and at any time, approve, execute and deliver such supplemental indentures amending and supplementing the provisions of this Third Supplemental Indenture in the same manner, subject to the provisions of this Article, as is provided in Section 10.01 and 10.02 of the Indenture for the adoption of supplemental indentures and the provisions of said Section 10.01 and 10.02 are hereby incorporated herein and made applicable hereto in the same manner as if herein set forth; it being understood and agreed that any amendment or supplement to this Third Supplemental Indenture shall not be entered into without the prior written consent of the Initial Purchaser, so long as the Initial Purchaser is the sole Holder of the Series 2010 Bond, and the LGC.

ARTICLE XI

DEFEASANCE

Section 11.1 ***Defeasance.*** When (a) if the Series 2010 Bond secured hereby has become due and payable in accordance with its terms or otherwise as provided in this Third Supplemental Indenture, the whole amount of the principal and the interest and premium, if any, so due and payable on the Series 2010 Bond is paid, and (b) if the Series 2010 Bond has not become due and payable in accordance with their terms, the Trustee holds sufficient Defeasance Obligations, the principal of and the interest on which, when due and payable, will provide sufficient money to pay the principal of, and the interest and redemption premium, if any, on the Series 2010 Bond to the maturity date of the Series 2010 Bond or to

the date or dates specified for the redemption thereof and the County causes to be delivered to the Trustee a verification or other appropriate report to such effect issued by an independent nationally recognized expert, reasonably acceptable to the Holder and (c) if the Series 2010 Bond is to be called for redemption, irrevocable instructions to call the Series 2010 Bond for redemption have been given by the County to the Trustee, and (d) sufficient funds have also been provided or provision made for paying all other obligations payable hereunder by the County, the Trustee shall release this Third Supplemental Indenture and shall execute such documents to evidence such release as may be reasonably required by the County and shall transfer to the Corporation any surplus in, and all balances remaining in, all funds and accounts, other than money held for the redemption or payment of the Series 2010 Bond.

ARTICLE XII

AMENDMENTS TO MASTER INDENTURE AND LEASE AGREEMENT

Section 12.1 *Amendments*. So long as the Initial Purchaser is the sole Holder of the Series 2010 Bond, no amendments or supplements to the Indenture and the Lease Agreement shall be entered into without the prior written consent of the Initial Purchaser, provided that such consent shall not be unreasonably withheld.

ARTICLE XIII

PAYING AGENT

Section 13.1 *Designation and Succession of Paying Agent*. The Trustee and any other banks or trust companies, if any, designated by the County as Paying Agent in any supplemental indenture or in an instrument appointing a successor Trustee or such Paying Agent, shall be the Paying Agent for the Series 2010 Bond.

Any bank or trust company with which or into which the Paying Agent may be merged or consolidated, or to which the assets and business of the Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Third Supplemental Indenture. If the position of Paying Agent shall become vacant for any reason, the County shall, within thirty (30) days thereafter, appoint such bank or trust company as shall be specified by the County as such Paying Agent to fill such vacancy; provided, however, that, if the County shall fail to appoint such Paying Agent within such period, the Trustee shall make such appointment.

The Paying Agent shall enjoy the same protective provisions in the performance of its duties hereunder as are specified in Section 8.03 of the Indenture with respect to the Trustee insofar as such provisions may be applicable.

Section 13.2 *Several Capacities*. Anything in this Third Supplemental Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee and the Paying Agent and in any other combination of such capacities, to the extent permitted by law.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

Section 14.1 *Manner of Giving Notice*. All notices, demands and requests to be given to or made hereunder by the County and the Trustee shall be given or made in writing and shall be deemed to be properly given or made if sent by United States registered mail, return receipt requested, postage prepaid, addressed as follows:

(a) As to the County:

County of Henderson
113 North Main Street
Hendersonville, North Carolina 28793
Attention: County Manager

(b) As to the Corporation:

Henderson County Hospital Corporation
800 North Justice Street
Hendersonville, North Carolina 28791
Attention: President

(c) As to the Trustee:

U.S. Bank National Association
5540 Centerview Drive, Suite 200
Raleigh, North Carolina 27606
Attention: Corporate Trust Services

(d) As to the Local Government Commission:

Local Government Commission of North Carolina
4505 Fair Meadow Lane
Raleigh, North Carolina 27607
Attention: Secretary

(e) As to the Initial Purchaser:

Branch Banking and Trust Company
100 Dana Road
Hendersonville, North Carolina 28792
Attention: Nathan Kennedy

Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

All notices given to any party under this Third Supplemental Indenture shall be given to the Initial Purchaser.

Section 14.2 *Trustee, County and Holder Alone Have Rights under Third Supplemental Indenture.* Except as herein otherwise expressly provided, nothing in this Third Supplemental Indenture, express or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the County and the Holder, any right, remedy or claim, legal or equitable, under or by reason of this Third Supplemental Indenture or any provision hereof, this Third Supplemental Indenture

and all its provisions being intended to be and being for the sole and exclusive benefit of the Trustee, the County and the Holder.

Section 14.3 ***Effect of Partial Invalidity.*** In case any one or more of the provisions of this Third Supplemental Indenture or the Series 2010 Bond shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Third Supplemental Indenture, the Indenture or the Series 2010 Bond, but this Third Supplemental Indenture, the Indenture and the Series 2010 Bond shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Series 2010 Bond or this Third Supplemental Indenture shall for any reason be held to be in violation of any law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the County to the full extent permitted by law.

Section 14.4 ***Effect of Covenants.*** All covenants, stipulations, obligations and agreements of the County contained in this Third Supplemental Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the County to the full extent permitted by the Constitution and laws of the State. This Third Supplemental Indenture is approved, executed and delivered with the intent that the laws of the State shall govern its construction.

Section 14.5 ***Headings.*** Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Third Supplemental Indenture, nor shall they affect its meaning, construction or effect.

Section 14.6 ***County's Actions Upon Lease Termination.*** The County covenants and agrees that in the event of the termination of the Lease Agreement it shall impose upon any successor lessee of the Hospital System the same obligations, imposed upon the Corporation under the Lease Agreement.

If the County fails to comply with the undertaking described above, the owner of the Series 2010 Bond may take action to protect and enforce its rights with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an Event of Default and shall not result in any acceleration of payment of the Series 2010 Bond.

Section 14.7 ***Applicable Provisions of Law.*** This Third Supplemental Indenture shall be considered to have been executed in the State of North Carolina and it is the intention of the parties that the substantive law of the State of North Carolina shall govern as to all questions of interpretation, validity and effect.

Section 14.8 ***Counterparts.*** This Third Supplemental Indenture 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.

Section 14.9 ***Successors and Assigns.*** All the covenants, stipulations, provisions, agreements, rights, remedies and claims of the parties hereto in this Third Supplemental Indenture contained shall bind and inure to the benefit of their successors and assigns.

Section 14.10 ***Reports and Notices to Initial Purchaser.*** Copies of the monthly reports required under Section 8.06 of the Indenture shall be sent to the Initial Purchaser at the time such report is given to the County, and copies of all notices required under Section 14.04 of the Indenture shall be given to the Initial Purchaser at the time such notices are delivered.

Section 14.11 ***Reports to the LGC.*** All reports, documents and other items required to be delivered to the Trustee pursuant to Section 6.08 shall simultaneously be delivered to the LGC.

(signatures continue on the following page)

IN WITNESS WHEREOF, the parties hereto have caused this Third Supplemental Indenture to be executed, all as of the date first above written.

COUNTY OF HENDERSON, NORTH CAROLINA

[SEAL]

By: _____
Board of Commissioners
Chairman

Attest:

Board of Commissioners
Clerk

U.S. BANK NATIONAL ASSOCIATION, as Trustee

[SEAL]

By: _____
Vice President

Attest:

Assistant Secretary

[Signature page to Third Supplemental Indenture]

EXHIBIT A

Form of Series 2010 Bond

(PRIVATE PLACEMENT)

THIS SERIES 2010 BOND SHALL BE A LIMITED OBLIGATION OF THE COUNTY, THE PRINCIPAL, INTEREST AND PREMIUM (IF ANY) OF WHICH ARE PAYABLE SOLELY FROM AND SECURED BY THE SECURITY DESCRIBED IN THE INDENTURE AND THE THIRD SUPPLEMENTAL INDENTURE, ALL AS DESCRIBED IN AND SUBJECT TO LIMITATIONS SET FORTH IN THE THIRD SUPPLEMENTAL INDENTURE, FOR BENEFIT OF THE HOLDER, FROM TIME TO TIME OF THIS SERIES 2010 BOND. THIS SERIES 2010 BOND AND THE INTEREST THEREON AND REDEMPTION PREMIUM, IF ANY, SHALL NOT BE DEEMED TO CONSTITUTE OR CREATE AN INDEBTEDNESS, LIABILITY OR OBLIGATION OF THE COUNTY, THE STATE OF NORTH CAROLINA OR ANY POLITICAL SUBDIVISION OR COUNTY THEREOF WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION OR A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWER OF THE STATE OF NORTH CAROLINA OR ANY SUCH POLITICAL SUBDIVISION OR COUNTY.

REGISTERED

No. R-1

\$3,000,000

**UNITED STATES OF AMERICA
STATE OF NORTH CAROLINA
County of Henderson, North Carolina
Hospital Revenue Bond
(Margaret R. Pardee Memorial Hospital Project),
Series 2010**

Date of Bond: June 10, 2010

Maturity Date: October 1, 2015

Interest Rate: 2.93% per annum

Registered Holder: BRANCH BANKING AND TRUST COMPANY

Principal Amount: \$3,000,000

KNOWN ALL MEN BY THESE PRESENTS:

The County of Henderson, North Carolina, a political subdivision of the State of North Carolina (the "*County*"), for value received, promises to pay to the registered owner shown above, or registered assigns, but solely from the source and in the manner hereinafter set forth, on the maturity date shown above and in accordance with the Payment Schedule attached hereto, (i) the principal amount shown above and (ii) interest on said amount from the date hereof shown above until payment of such principal amount has been made or duly provided for, at the rate per annum shown above, in arrears on the first Business Day of each month (each an "*Interest Payment Date*"); except as the provisions hereinafter set forth with respect to redemption of this Series 2010 Bond prior to maturity may become applicable hereto. Installments of principal of and interest on this Series 2010 Bond shall be made in accordance with the Payment Schedule attached hereto. The principal of this Series 2010 Bond is payable in lawful

money of the United States of America upon the presentation and surrender hereof at the principal corporate trust office of U.S. Bank National Association, or its successor or successors, as paying agent (the “*Paying Agent*”), and interest on this Series 2010 Bond is payable on each Interest Payment Date in like money to the registered owner hereof by check mailed to the Holder (as defined in the Third Supplemental Indenture) as it appears on the registration books maintained by the Paying Agent. At the written request of the Holder, principal and interest will be payable by wire transfer at the address specified in writing by the Holder,

This Series 2010 Bond, designated “County of Henderson, North Carolina, Hospital Revenue Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010” is issued for the purpose of reimbursing the county for the purchase of three medical office buildings (the “*2010 Project*”) for the Margaret R. Pardee Memorial Hospital (the “*Hospital Facility*”) that has been leased to the Henderson County Hospital Corporation, (the “*Corporation*”), a nonprofit corporation organized under the laws of the State of North Carolina (the “*Corporation*”) pursuant to the terms of a certain Amended and Restated Lease Agreement dated as of September 1, 2001, as amended (the “*Lease Agreement*”) by and between the County and the Corporation, and paying expenses of issuing such Series 2010 Bond. The Series 2010 Bond is issued under and is secured and entitled to the protection given by a Master Trust Indenture, dated as of September 1, 2001 (the “*Indenture*”), by and between the County and the Trustee and a Third Supplemental Trust Indenture dated as of June 1, 2010 by and between the County and the Trustee (the “*Third Supplemental Indenture*”). Reference is hereby made to the Indenture, this Third Supplemental Indenture and all indentures supplemental thereto for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the County, the Trustee and the registered owner of the Series 2010 Bond, and the terms upon which the Series 2010 Bond is issued and secured. Reference is hereby made to the Indenture, the Third Supplemental Indenture and the Lease Agreement and to all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the default provisions, the rights, duties and obligations of the County and the Trustee or the rights of the Holder of this Series 2010 Bond and the terms upon which the Series 2010 Bond is issued and secured. All capitalized terms not defined herein shall have the meanings given them in the Indenture and the Third Supplemental Indenture.

This Series 2010 Bond is issued pursuant to and in full compliance with the laws of the State of North Carolina, particularly Article 5 of Chapter 159 of the North Carolina General Statutes, as amended (the “*Act*”), and pursuant to a bond order of the County, which authorized the execution and delivery of the Third Supplemental Indenture. This Series 2010 Bond is a limited obligation of the County payable solely from the Net Revenues of the Hospital System, as defined in the Indenture, which Net Revenues have been pledged and assigned to the Trustee for the benefit of the Holders to secure payment of this Series 2010 Bond.

THIS SERIES 2010 BOND MAY ONLY BE TRANSFERRED OR ASSIGNED TO A BANK, INSURANCE COMPANY, OR SIMILAR FINANCIAL INSTITUTION OR ANY ENTITY APPROVED BY THE LGC.

No covenant or agreement contained in this bond or the Indenture or the Third Supplemental Indenture shall be deemed to be a covenant or agreement of any director, officer, member, agent, or employee of the County or of the Corporation in their individual capacity, and neither the members of the County or of the Corporation nor any officer thereof executing this bond shall be liable personally on this Series 2010 Bond or be subject to any personal liability or accountability by reason of the issuance of this Series 2010 Bond.

The Lease Agreement provides for payments by the Corporation in amounts sufficient to provide for the payment of the principal and purchase price of and interest on the Series 2010 Bonds as due and payable. Provision has been made in the Lease Agreement for such payments to be paid directly to the

Trustee and deposited in a special account of the County and held by the Trustee designated "County of Henderson, North Carolina, Hospital Revenue Bond (Margaret R. Pardee Memorial Hospital Project), Series 2010 Bond Fund" following the payment of Operating Expenses (as defined in the Indenture).

The registered owner of this Series 2010 Bond shall have no right to enforce the provisions of the Indenture or the Third Supplemental Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or the Third Supplemental Indenture, or to institute, appear in and defend any suit or other proceeding with respect thereto, except as provided in the Indenture or the Third Supplemental Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of this Series 2010 Bond may be declared and may become due and payable before the stated Maturity thereof, together with accrued interest thereon.

Modifications or alterations of the Indenture or the Third Supplemental Indenture, or of any additional indenture supplemental thereto, may be made only to the extent and in the circumstances permitted by the Indenture or the Third Supplemental Indenture.

This Series 2010 Bond shall be subject to redemption at the option of the County, upon the written direction of an Authorized Corporation Representative, in whole on any Business Day at a redemption price equal to 100% of the principal amount being redeemed plus accrued interest to the redemption date.

This Series 2010 Bond is issued with the intent that the laws of the State of North Carolina shall govern its construction.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Series 2010 Bond does exist, have happened and have been performed in due time, form and manner as required by law; that the indebtedness represented by this Series 2010 Bond, together with all obligations of the County, does not exceed any constitutional or statutory limitation.

This Series 2010 Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture or the Third Supplemental Indenture until the Certificate of Authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the County of Henderson, North Carolina has caused this Series 2010 Bond to be signed by the manual or facsimile signature of its Chairman, its seal to be affixed hereto or a facsimile of its seal to be printed hereon or affixed hereto and attested by its Clerk, and this Series 2010 Bond to be dated June 10, 2010.

COUNTY OF HENDERSON, NORTH CAROLINA

[SEAL]

By: _____
Chairman
Board of Commissioners

Attest:

Clerk
Board of Commissioners

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within Bond has been approved under the provisions of The State and Local Government Revenue Bond Act.

Secretary, Local Government Commission

CERTIFICATE OF AUTHENTICATION

Date of Authentication: June 10, 2010

This Series 2010 Bond is described in the within-mentioned Third Supplemental Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

(Form of Assignment)

FOR VALUE RECEIVED, (“*Transferor*”), hereby sells, assigns and transfers unto, the within Series 2010 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints (“*Transferee*”) as attorney to transfer the within Series 2010 Bond on the books kept for registration thereof with full power of substitution in the premises.

DATE: _____, ____

Transferor

GUARANTEED BY:

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

PAYMENT SCHEDULE

[See Attached]