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BOARD OF COUNTY COMMISSIONERS
COUNTY OF BUCKS
COMMONWEALTH OF PENNSYLVANIA

ORDINANCE NO. 74

ENACTED AUGUST 26, 1987

AUTHORIZING THE SAINT MARY HOSPITAL AUTHORITY TO PARTICIPATE IN A PROGRAM INVOLVING THE ISSUANCE OF NOT EXCEEDING \$71,000,000 AGGREGATE PRINCIPAL AMOUNT OF HOSPITAL REVENUE REFUNDING BONDS (FRANCISCAN HEALTH SYSTEM HOSPITALS ISSUE), SERIES 1987; MAKING THE REQUIRED HEALTH, SAFETY AND WELFARE DETERMINATION FOR PROJECTS OF SAINT MARY HOSPITAL AUTHORITY; MAKING CERTAIN DELEGATIONS PURSUANT TO THE INTERGOVERNMENTAL COOPERATION ACT.

Section 1. Background

A. The Saint Mary Hospital Authority, (the "Authority"), was duly incorporated under the provisions of the Municipality Authorities Act of 1945, as amended, (Act of May 2, 1945, P.L. 382) (the "Act") pursuant to a resolution and amending resolution of this Board of County Commissioners (the "Board") of Bucks County, for the purpose of acquiring, holding, constructing, improving, maintaining, owning, operating and leasing, either in the capacity of lessor or lessee, hospitals and hospital facilities located in Pennsylvania and affiliated with Franciscan Health System (the "System"), of Chadds Ford, Pennsylvania.

B. Saint Mary Hospital of Langhorne, Langhorne, Pennsylvania ("Saint Mary Hospital"), a general acute care, non-profit hospital located in the Borough of Langhorne, Bucks County and an affiliate of the System, has requested the assistance of the Authority in the financing of a project (the "Saint Mary Project") consisting generally of providing for the redemption, on July 1, 1995, of the Authority's Hospital Revenue Refunding Bonds Franciscan Health System/Saint Mary Hospital of Langhorne, Langhorne, Pennsylvania), Series of 1985 (the "Saint Mary Bonds") issued in the original aggregate principal amount of \$30,305,000.

C. St. Joseph Hospital, Inc. ("St. Joseph-Lancaster"), a general acute care, non-profit hospital located in the City of Lancaster, Lancaster County and an affiliate of the System, has requested the assistance of the Authority in the financing of a project (the "St. Joseph-Lancaster Project") consisting generally of providing for the redemption, on July 1, 1995, of the Lancaster County Hospital Authority's Hospital Revenue Refunding Bonds (Franciscan Health System/St. Joseph Hospital, Inc.) Series of 1985 (the "St. Joseph-Lancaster Bonds") issued in the original aggregate principal amount of \$17,380,000.

D. Saint Joseph Hospital, Reading, Pennsylvania ("Saint Joseph-Reading"), a general acute care, non-profit hospital located in the City of Reading, Berks County and an affiliate of the System, has requested the assistance of the Authority in the financing of a project (the "Saint Joseph-Reading Project") consisting generally of providing for the redemption, on July 1, 1995, of the Berks County Municipal Authority's Hospital Revenue Bonds (Franciscan Health System/St. Joseph Hospital, Reading, Pennsylvania), Series of 1985 (the "Saint Joseph-Reading Bonds") issued in the original aggregate principal amount of \$10,760,000. The financing of the Saint Mary Project, the Saint Joseph-Lancaster Project and the St. Joseph-Reading Project are referred to as the "Program" Saint Mary Hospital, St. Joseph-Lancaster and Saint Joseph-Reading are referred to collectively as the "Hospitals"; and the Saint Mary Bonds, the St. Joseph-Lancaster Bonds and the Saint Joseph-Reading Bonds are referred to collectively as the "Prior Bonds".

E. The Hospitals and the System have requested the Authority to acquire leasehold interests in certain facilities of each of the Hospitals and finance the Program, including the redemption of the Prior Bonds, by the issuance by the Authority of its Hospital Revenue Refunding Bonds (Franciscan Health Systems Hospitals Issue), Series 1987 (the "1987 Bonds") in an aggregate amount not exceeding \$71,000,000, the net proceeds of which will be applied to pay the costs of the Program. The Program, including the redemption of the Prior Bonds and other costs relating to the financing, will be financed by the issuance and sale of the 1987 Bonds. As security for the 1987 Bonds, each of the Hospitals will lease certain of its real estate, with all improvements thereon, to the Authority. The Authority in turn will sublease the Hospitals' facilities back to each of the Hospitals from which it acquired such leasehold interest, giving each of the Hospitals the right to exclusive possession, operation and maintenance of its facilities so long as it is not in default

of its obligations to the Authority. Each Hospital will pay to the Authority a rental. Such rentals, in the aggregate, are to be sufficient to pay the debt service on the 1987 Bonds and certain expenses and fees attributable to the issuance of the 1987 Bonds. As additional security for the 1987 Bonds, the System will cause Bond Investors Guaranty Insurance Company to issue its bond insurance policy insuring timely scheduled payment of the principal of and interest on the 1987 Bonds.

F. The Act provides that none of the powers granted thereby shall be exercised in the construction, improvements, maintenance, extension or operation of any project or projects which in whole or in part shall duplicate or compete with existing enterprises serving substantially the same purposes, but that such limitation does not apply to hospital projects to be leased to public hospitals or non profit corporations serving the public if the municipality organizing the authority for such project shall declare by resolution or ordinance that it is desirable for the health, safety and welfare of the people in the area served by such hospital to have such facilities provided by an authority.

G. Under the provisions of the "Act Relating to Intergovernmental Corporation," 1972, July 12, No. 180, as amended (the "Cooperation Law"), this Board has the power to delegate any of its functions, powers or responsibilities to one or more other governmental units.

Section 2. Findings and Approvals

A. This Board hereby approves the issuance of the 1987 Bonds and the financing of the costs of the Program. The Program is hereby approved as an authorized undertaking for the Authority, including providing for the redemption of the Prior Bonds, all on such terms and conditions as the Authority may approve.

B. This Board hereby finds that it is desirable for the health, safety and welfare of the residents of Bucks County, Pennsylvania, for the Authority to undertake the Program and to issue the 1987 Bonds for the purpose of, among other things, re-financing the Saint Mary Bonds. This Board further finds that the financing and any future refinancing of the costs of the Saint Mary Project is desirable for the health, safety and welfare of the residents of Bucks County, Pennsylvania.

C. Pursuant to the Cooperation Law, this board hereby (1) delegates to the Board of Commissioners of Berks County, Pennsylvania, its power and responsibility to make findings that the financing and any refinancing of the Saint Joseph-Reading Project by the Authority will promote the health, safety and welfare of the residents of Berks County served by Saint Joseph-Reading; and (2) delegates to the Board of County Commissioners of Lancaster County, Pennsylvania its power and responsibility to make findings that in the financing and any refinancing of the St. Joseph-Lancaster Project by the Authority will promote the health, safety and welfare of the people of Lancaster County served by St. Joseph-Lancaster.

D. Pursuant to Section 7 of the Cooperation Law, the following is specified:

(1) A governmental unit whose residents are served by St. Joseph-Lancaster and Saint Joseph-Reading must make the required health, safety and welfare determination prior to, and as a condition of, the Authority allocating money for the St. Joseph-Lancaster Project and the Saint Joseph-Reading Project in connection with the Program, to St. Joseph-Lancaster and Saint Joseph-Reading, respectively.

(2) The delegation by this Board of its responsibility to make the health, safety and welfare determination required by the Act to the other governmental units specified above shall remain in effect as long as any of the principal amount of the 1987 Bonds remains outstanding.

(3) The purpose and objective of this Program is to provide for a composite financing for the Hospitals, thereby realizing significant cost and administrative savings. The purpose and objective of the delegation of the health, safety and welfare determination to the Board of Commissioners of Berks County and to the Board of Commissioners of Lancaster County is to insure that there is a substantial relationship between the governmental body making the determination and the people about whom the determination is being made.

(4) The Program will be financed by the issuance of 1987 Bonds in an amount not in excess of \$71,000,000. There is no other financing involved.

(5) No organization other than the Authority, the System, the Hospitals and the Board of Commissioners of Berks County and of Lancaster County, is necessary to implement the delegation of responsibility contained herein.

(6) The Authority shall acquire and dispose of real or personal property in accordance with the provisions of the Act. The delegation of responsibility contained herein does not involve any governmental entity in the acquisition, management,

licensing or disposition of property.

(7) No new entity is to be created by this Ordinance to make the required health, safety and welfare determination.

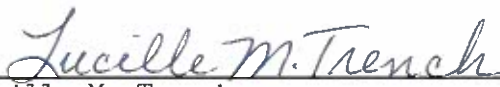
E. The foregoing action of this Board shall not in any way obligate Bucks County for payment of the principal of or interest on the 1987 Bonds issued by the Authority, nor shall the faith and credit nor taxing power of Bucks County be pledged for such payment; rather, such 1987 Bonds should be payable solely from the moneys derived by the Authority from its subleasing to the Hospitals.

ENACTED this 26th day of August, 1987, at a regular meeting of the Board of County Commissioners of the County of Bucks, Pennsylvania.

BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF BUCKS



Chairman of the Board of County
Commissioners of the County of Bucks



Lucille M. Trench

Attest:



Chief Clerk



Andrew L. Warren