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December 6, 2012

His Excellency Governor John Lynch
and
The Honorable Council

Dear Governor and Councilors:

REQUESTED ACTION

Holding of a public hearing and passage of a Resolution entitled: A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE REFINANCING OF COMMERCIAL FACILITIES BY THE BUSINESS FINANCE AUTHORITY FORTHE MONADNOCK COMMUNITY HOSPITAL. (For the text of the requested Resolution see Tab #1 below this letter of transmittal.)

The Authority respectfully requests that you hold a hearing, and, if you consider such action appropriate, make the statutory findings under RSA 162-I:9 with respect to the proposed issuance of Refunding Revenue Bonds (The Monadnock Community Hospital Issue), Series 2013 (the "Bonds") in an amount not to exceed $28,000,000 by the Authority and the loan of the proceeds of the Bonds to The Monadnock Community Hospital (the "Hospital") to refinance construction and improvements to commercial facilities in Peterborough, New Hampshire. The Authority recommends your favorable action and submits in support thereof the following materials with item numbers the same as the tab numbers for the attached documents.

1. A suggested form of resolution for adoption by the Governor and Council.

2. A letter from Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., bond counsel, explaining these transactions.

3. Materials with respect to the Hospital and the facility consisting of (a) a Form BFA-1 submitted by the Hospital and (b) the Hospital's most recent audited financial statements for its fiscal years ended September 30,2011 and September 30, 2010, audited by Baker, Newman & Noyes LLC.

4. The commitment letter from TD Bank, N.A. as to its purchase of the Bonds.

5. Information from the New Hampshire Department of Employment Security as to unemployment in the Peterborough, New Hampshire area.

6. The proposed form of LOAN AND SECURITYAGREEMENT for the Bonds.

7. The resolution adopted by the Authority at its November 19, 2012 meeting.

8. A summary of required statutory findings of the Governor and Council with reference to materials supporting each finding.

The Authority will be glad to furnish any additional documentation and information which you may request.

Respectfully submitted,

BUSINESS FINANCE AUTHORITY OF
THE STATE OF NEW HAMPSHIRE

By:______________________
Jack Donovan
Executive Director

7682445v.1

A RESOLUTION UNDER RSA 162-I:9 WITH RESPECT TO THE FINANCING OF COMMERCIAL FACILITIES BY THE BUSINESS FINANCE AUTHORITY FOR MONADNOCK COMMUNITY HOSPITAL IN PETERBOROUGH

WHEREAS, the Governor and Council have received from the Business Finance Authority (the "Authority") its written recommendation that the Governor and Council make certain findings and a determination pursuant to RSA 162-I:9 with respect to the refinancing of commercial facilities (the "Facilities") for The Monadnock Community Hospital (the "Hospital") in Peterborough, by the Authority's issue of Refunding Revenue Bonds (The Monadnock Community Hospital Issue) Series 2013 (the "Bonds") in an amount not to exceed an aggregate of $28,000,000 under RSA 162-I (the "Act");

WHEREAS, the Governor and Council have received all the documentation and information with respect to the transaction which they have requested; and

WHEREAS, further action by the Authority with respect to the transaction is subject to the passage of this resolution and cannot be taken until after its passage;

IT IS HEREBY RESOLVED THAT:

Section 1. Findings. On the basis of the Authority's recommendation and the documentation and information received by the Governor and Council, and after a public hearing, the Governor and Council find:

(a) Special Findings:

(1) The Bonds will be used to: (i) current refund the outstanding Business Finance Authority of the State of New Hampshire Revenue Bond, The Monadnock Community Hospital Issue (2009); (ii) current refund the outstanding Business Finance Authority of the State of New Hampshire Variable Rate Demand Revenue Bonds (Monadnock Community Hospital Issue) Series 2007 and (iii) pay certain costs associated with the issuance of the Bonds.

(2) The operation of the Facilities will create and preserve employment opportunities directly and indirectly within the State of New Hampshire (the "State").

(b) General Findings:

(1) The Projects and the proposed refinancing thereof are feasible;

(2) The Hospital has the skills and financial resources necessary to operate the Facilities successfully;

(3) The Agreement contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay Project costs, debt service or expenses of operation, maintenance and upkeep of the Facilities except from proceeds of the Bonds or from funds received under the Agreement, exclusive of funds received thereunder by the Authority for its own use;

(4) The Agreement does not purport to create any debt of the State with respect to the Facilities, other than a special obligation of the Authority acting on behalf of the State under the Act; and

(5) The proposed refinancing of the Projects by the Authority and the operation and use of the Facilities will serve one or more needs and implement one or more purposes set forth in RSA 162-I:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Ultimate Finding and Determination. The Governor and Council find that the proposed refinancing, operation and use of the Facility will serve a public use and provide a public benefit, and the Governor and Council determine that the Authority's refinancing of the Project will be within the policy of, and the authority conferred by, the Act.

Section 3. Approval. The Governor and Council approve the Authority's taking such further action under the Act with respect to the transaction as may be required.

Section 4. Effective Date. This resolution shall take effect upon its passage. Passed and Agreed to December 19, 2012.

Governor John Lynch

Councilor Raymond S. Burton

Councilor Daniel St. Hilaire

Councilor Christopher T. Sununu

Councilor Raymond J. Wieczorek

Councilor David K. Wheeler

7682962v.1

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

December 6, 2012

His Excellency Governor John Lynch
and
The Honorable Council

Dear Governor and Councilors:

In this transaction the Business Finance Authority (the "Authority") will issue Refunding Revenue Bonds in an aggregate principal amount of up to $28,000,000 (the "Bonds") and lend the proceeds of the Bonds to The Monadnock Community Hospital (the "Borrower") to refinance construction and improvements to commercial facilities in Peterborough, New Hampshire. The Bonds are being issued entirely to refinance existing debt.

The Bonds will be issued in a direct placement pursuant to a Loan and Security Agreement (the "Agreement") by and among the Authority, the Borrower and TD Bank, N.A. as Purchaser (the "Purchaser"). The Agreement represents a general obligation of the Borrower, secured by a pledge of its gross receipts. The Agreement will contain covenants and agreements on the part of the Borrower. In connection with the issuance of the Bonds, the Borrower will grant to the Purchaser a lien on gross revenues and other collateral deemed appropriate by the Purchaser. The Borrower will also grant a mortgage to the Purchaser with respect to certain real property of the Borrower.

The Bonds will be issued as tax exempt bonds bearing interest at a variable rate based on one-month LIBOR. The Bonds will amortize based on a 30 year schedule but be subject to payment after 10 years and to other mandatory and optional prepayment as set forth in the Agreement.

As in all transactions under RSA 162-I, neither the Authority's money nor other public funds will be used to pay the Bonds. Provisions appropriate for achieving this result, as required by RSA 162-I, are contained in the Agreement.

Sincerely yours,

Mintz Levin Cohn Ferris Glovsky and Popeo PC

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

If you have any questions about this application or the BFA's bond program, please call the BFA's offices at (603) 415-0190. If you need more space for any question, please attach additional sheets.

Name of Applicant The Monadnock Community Hospital
Address 452 Old Street Road
City/Town Peterborough State NH Zip 03458
Contact Richard D. Scheinblum Title CFO Phone 603-924-1738

Name and address of owner of project (if different)

Names and addresses of lessees of project (if any)

Amount of bond issue $ 28M - $32M

Address of project site:

Briefly describe the project:
This is a refinancing of 2 bonds with an outstanding Principal or $27.4M as of 10/1/2012. In addition, there are 3 SWAPS with a negative mark to market of approximately $4M - $4.5M. Bonds will be issued either variable or fixed. If fixed, the face value will be hire to account for the SWAP buyout. Please refer to attached TD Bank proposal letter dated 9/6/2012.

Estimated

	Cost	Size	
Land Acquisition	$		acres
Building Acquisition	$		sq. ft.
Building Construction	$		sq. ft.
Building Renovation	$		sq. ft.
Equipment Acquisition	$		
Cost of Bond Issuance	$ 200,000		
Refinance Existing Debt	$ 27.4M - $32M		

Other (describe)

Describe the effect of the project on the environment N/A

When do you expect the project to begin? N/A

When do you expect the project to be completed? N/A

How many jobs will be created or preserved by the project?

Created ____________ Preserved ____________

Describe the types of jobs created or preserved, their wage and salary levels and, if applicable, when the jobs will be created: N/A

Names and addresses of contractors and subcontractors for the project: N/A

Describe the Applicant (and if applicable the owner and the lessees). Include a brief history of the Applicant, its principal products, and its customers:

General Acute Care Hospital

Briefly describe the background of the Applicant's (and if applicable the owner's and lessees') key management personnel: See Attached (Executive Team Biographies)

Is the Applicant an equal opportunity employer? yes, the owner? ____, the lessee? ______

Please provide any other information of which you believe the BFA should be aware in considering this application: The Monadnock Community Hospital has issued it's last two bond issues through the BFA.

The Applicant will promptly advise the BFA of any change in the foregoing information, or of any additional information that may become available as plans for the project progress.

10-1-12

Richard D. Scheinblum
Vice President, Finance and Chief Financial Officer

Date

Executive Team Biographies

Peter L. Gosline, Chief Executive Officer – Mr. Gosline joined Monadnock Community Hospital in March 1998. He has over 25 years of experience working as both employee and consultant in a variety of healthcare settings, including a regional hospital association, four community hospitals, a psychiatric hospital, and a network of three hospitals. Mr. Gosline received his Bachelor Degree from Tufts University, a Masters Degree in Community Health from the University of Rochester, and an M.B.A. from Cornell University. He and his wife, Connie, have four grown children and reside in Peterborough, N.H.

Michael G. Blood, VP of Human Resources - Michael has been directing MCH Human Resources since 1999 and also provides administrative oversight of the Medical Library, Engineering and Security Services, Food Services, and Environmental Services. Michael obtained his Bachelors Degree at the University of New Hampshire and has a MBA from Franklin Pierce. He was certified as a Senior Professional in Human Resources by HRCI, has served as President of the New Hampshire Healthcare Human Resources Association, has been recognized by the American Hospital Association and serves as an advisor to the Human Capital Executive Research Board. He lives with his family in Jaffrey, NH.

Laura Gingras, VP of Philanthropy and Community Relations- Laura joined MCH in 2000 and has 15 years of experience in health care development and communications. She earned her undergraduate degree in Accounting from Glassboro State University and holds a Master's Degree in Management from Emmanuel College. Laura is also holds a CPA certification. She is past President of the Peterborough Rotary Club, past Chair of the Greater Peterborough Chamber of Commerce Board, and a member of several area boards. Laura lives in Peterborough.

Vicki Loughery, Chief Nursing Officer

Vicki joined MCH in February of 2011. She has 26 years of Nursing experience in a variety of settings, and currently holds a Bachelor's Degree in Nursing and a Master's Degree in Adult Education and Human Resource Development. She has previous management experience in Acute Care, Home Care, Research and Education as well as a Clinical Nursing Instructor. Vicki resides in Wilton with her husband Joe and has one daughter, Kristen, who resides in Miami, Fl.

Andrew Macdonald, VP of Ancillary and Planning Services -Andy joined MCH as Director of Rehab and Wellness in February of 2000 and during his tenure, acquired a Master's Degree in Management from New England College. He is the Executive Sponsor for all LEAN activities as well as overseeing Strategic Planning Activities and the recent MFP expansion. He lives in Peterborough with his wife Janice and their four children.

Barbara Quealy, VP, Physician Services

Barbara joined the Leadership Team at MCH in December, 2010. Prior to that date, she served as the Administrator for a large multi-specialty private practice in Derry, NH. Barbara is a Registered Nurse with a Bachelor's Degree in English/Communications from Boston College and has more than 15 years in Healthcare Leadership including acute care, ambulatory care and physician practice management. She received her Masters Degree in Business Admini-

stration from Franklin Pierce in Rindge, NH. She and her husband Paul have two sons and reside in New Boston.	
Carol Roosa, Chief Information Officer – Carol joined MCH in May of 2008, relocating from Wallkill, NY. She holds a Bachelor's Degree in Management Information Systems, from Pace University in NY, and was most recently the Director of Business and Publishing Applications for Ottaway Newspapers (the Local Media Division of Dow Jones). Previously, Carol was the Director of Technology for a Health Maintenance Organization in NY. She and her husband, Paul, have two children. Their son Kevin is in college and living in NY; Carol, Paul and their daughter, Kylie, live in Peterborough.	
Richard D. Scheinblum, Chief Financial Officer - Rich has been with MCH for 7 years, as Controller, Director of Peri-operative Services and now as Chief Financial Officer. He obtained his BS in Business Administration from the University of Connecticut, and his MBA from Plymouth State College. Rich's work experience includes a mental health facility, a children's hospital, an insurance company and a rehabilitation facility. He resides in Dublin, with his two young sons.	
Philip S. Vuocolo, MD, Chief Medical Officer – joined MCH in February of 2011 after serving as the Chief Executive Officer of the Fairmont Medical Center – Mayo Health System for two years. A practicing General and Vascular surgeon for 22 years, Dr. Vuocolo received a BS degree in Biology from Fordham University in the Bronx, New York in 1979, and an MD degree from the State University of New York at Syracuse in 1983. He completed a five-year residency in General Surgery and a year of research in Cardiovascular Physiology at University Hospital in Syracuse in 1989. Dr. Vuocolo lives in Peterborough with his wife, Michele "Shelley", a family Nurse Practitioner, and daughter Victoria. Phil also has 4 children and 6 grandchildren living in New York and New Jersey.	

The Monadnock Community Hospital

Audited Financial Statements

Years Ended September 30, 2011 and 2010
With Independent Auditors' Report

THE MONADNOCK COMMUNITY HOSPITAL

Audited Financial Statements

Years Ended September 30, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Monadnock Community Hospital

We have audited the accompanying balance sheets of The Monadnock Community Hospital (the Hospital) as of September 30, 2011 and 2010, and the related statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Monadnock Community Hospital as of September 30, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Baker Newman & Noyes

Limited Liability Company

Manchester, New Hampshire
January 19, 2012

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities:		
Accounts payable and accrued expenses	$ 3,456,447	$ 5,521,892
Accrued payroll and amounts withheld	2,635,352	2,674,292
Estimated third-party payor settlements (note 3)	4,612,944	2,962,049
Current portion of long-term debt and capital lease obligations	1,050,994	1,179,198
Total current liabilities	11,755,737	12,337,431
Long-term debt and capital lease obligations, less current portion (note 8)	27,852,975	28,903,968
Interest rate swap agreements (notes 8 and 16)	4,097,901	3,376,334
Total liabilities	43,706,613	44,617,733
Commitments and contingencies (notes 1 and 12)		
Net assets:		
Unrestricted net assets	37,498,743	33,688,418
Temporarily restricted net assets (note 9)	1,357,888	3,126,586
Permanently restricted net assets (note 9)	6,956,317	6,904,665
Total net assets	45,812,948	43,719,669
Total liabilities and net assets	$89,519,561	$88,337,402

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF OPERATIONS

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted revenue and other support:		
Net patient service revenue (notes 3 and 10)	$71,948,625	$69,662,406
Other revenue	2,230,228	2,314,637
Net assets released from restrictions for operations	105,541	124,525
Total unrestricted revenue and other support	74,284,394	72,101,568
Expenses (note 14):		
Salaries and benefits (note 11)	37,586,517	37,043,591
Supplies and other	22,667,561	22,704,049
Insurance	463,853	686,503
Provision for bad debts	3,742,600	3,339,006
Depreciation and amortization (note 7)	4,866,535	4,333,432
Interest (note 8)	1,006,716	860,327
New Hampshire Medicaid enhancement tax (note 3)	3,168,993	3,461,215
Total expenses	73,502,775	72,428,123
Income (loss) from operations	781,619	(326,555)
Nonoperating gains (losses):		
Investment income (note 6)	932,850	713,874
Unrestricted contributions, net of fundraising expenses	479,963	1,401,883
Other expense (note 8)	(280,868)	(44,914)
Nonoperating gains, net	1,131,945	2,070,843
Excess of revenues, support and nonoperating gains over expenses	1,913,564	1,744,288
Net unrealized gains on investments (note 6)	28,563	675,523
Decrease in fair value of interest rate swap agreements, qualifying as hedges (note 8)	(721,567)	(1,434,260)
Net assets released from restrictions used to purchase property and equipment	2,589,765	1,935,289
Increase in unrestricted net assets	$ 3,810,325	$ 2,920,840

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF CHANGES IN NET ASSETS

Years Ended September 30, 2011 and 2010

	2011	2010
Unrestricted net assets:		
Excess of revenues, support and nonoperating gains over expenses	$ 1,913,564	$ 1,744,288
Net unrealized gains on investments (note 6)	28,563	675,523
Decrease in fair value of interest rate swap agreements (note 8)	(721,567)	(1,434,260)
Net assets released from restrictions used to purchase property and equipment	2,589,765	1,935,289
Increase in unrestricted net assets	3,810,325	2,920,840
Temporarily restricted net assets:		
Contributions (note 5)	884,424	1,266,244
Net investment income (note 6)	42,184	48,272
Net assets released from restrictions for operations (note 9)	(105,541)	(124,525)
Net assets released from restrictions used to purchase property and equipment	(2,589,765)	(1,935,289)
Decrease in temporarily restricted net assets	(1,768,698)	(745,298)
Permanently restricted net assets:		
Contributions	77	517
Net unrealized gains on perpetual trusts (note 6)	51,575	152,628
Increase in permanently restricted net assets	51,652	153,145
Increase in net assets	2,093,279	2,328,687
Net assets, beginning of year	43,719,669	41,390,982
Net assets, end of year	$45,812,948	$43,719,669

See accompanying notes.

THE MONADNOCK COMMUNITY HOSPITAL

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 2,093,279	$ 2,328,687
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,866,535	4,333,432
Loss on disposal of property and equipment	363,369	–
Realized and unrealized gains on investments, net	(596,817)	(1,097,023)
Interest rate swaps	721,567	1,564,483
Decrease in interest rate swap loan	(48,000)	–
Provision for bad debts	3,742,600	3,339,006
Restricted contributions and investment income	(926,685)	(1,315,033)
(Increase) decrease in:		
Accounts receivable	(4,137,428)	(3,026,560)
Pledges receivable	–	10,737
Inventories	(123,525)	(188,647)
Prepaid expenses	(44,481)	(232,655)
Notes and other receivables	(802,349)	56,813
Other assets	(13,014)	(44,024)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,065,445)	725,717
Accrued payroll and amounts withheld	(38,940)	135,457
Due to/from third-party payors	1,650,895	3,495,027
Net cash provided by operating activities	4,641,561	10,085,417
Cash flows from investing activities:		
Purchases of property and equipment	(8,511,606)	(10,979,612)
Proceeds on sale of investments	6,338,918	6,821,935
Purchases of investments	(2,574,795)	(2,975,899)
Net cash used by investing activities	(4,747,483)	(7,133,576)
Cash flows from financing activities:		
Principal payments on long-term debt and capital lease obligations	(1,131,197)	(955,997)
Restricted contributions and investment income	1,425,600	2,006,558
Debt issuance costs	–	(10,504)
Net cash provided by financing activities	294,403	1,040,057
Net increase in cash and cash equivalents	188,481	3,991,898
Cash and cash equivalents at beginning of year	9,737,331	5,745,433
Cash and cash equivalents at end of year	$ 9,925,812	$ 9,737,331
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,006,716	$ 860,327

Supplemental disclosure of noncash investing and financing activities:
In 2010, the Hospital entered into capital lease obligations in the amount of $630,606.
In 2010, the Hospital settled an existing interest rate swap agreement by issuing debt totaling $480,000 (see Note 8).
These items are not included in the above statements of cash flows.

See accompanying notes.

1. **Description of Organization and Summary of Significant Accounting Policies**

Organization

The Monadnock Community Hospital (the Hospital) is a not-for-profit, acute care hospital located in Peterborough, New Hampshire.

In August 1997, the Hospital and Capital Region Health Care Corporation (CRHC) formalized an agreement to affiliate for the purpose of creating an integrated health care delivery network. Accordingly, CRHC became the sole corporate member of the Hospital, effective October 1, 1997. The accounts of CRHC and related affiliates were not included in the Hospital's financial statements. This affiliation with CRHC was terminated during 2010. The members of the Hospital effective February 1, 2010 are the elected and ex-officio members of the Board of Trustees.

The accounting policies that affect the more significant elements of the financial statements are summarized below:

Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which are affected by the use of estimates are the allowance for doubtful accounts and contractual adjustments, the allowance for uncollectible pledges, estimated third-party payor settlements and insurance reserves.

Cash and Cash Equivalents

Cash and cash equivalents include all demand deposit accounts and investments with original maturities of three months or less when purchased, excluding assets limited as to use.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to operations and a credit to the allowance for doubtful accounts based on its assessment of individual accounts and historical adjustments. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable.

Inventories

Inventories of supplies and pharmaceuticals are carried at the lower of cost or market. Costs are determined on the first-in, first-out (FIFO) basis.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Assets Limited as to Use

Assets limited as to use include assets held by trustees under indenture agreements, designated assets set aside by the Board of Trustees, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and donor-restricted investments.

Investments

Investments are carried at fair value in the accompanying balance sheets. The Hospital has recorded net unrealized gains/losses on investments in the accompanying statements of operations and changes in net assets as a component of the change in net assets, but not as a component of the excess of revenues, support and nonoperating gains over expenses. Declines in fair value below the cost of investments are evaluated to determine if they are other-than-temporary. If such declines are determined to be other-than-temporary, an impairment charge is recognized within nonoperating losses. Realized gains and losses are determined on the specific identification method, however, mutual fund realized gains and losses are determined on the average cost method.

Investment Policies

The Hospital's investment policies provide guidance for the prudent and skillful management of invested assets with the objective of preserving capital and maximizing returns. The invested assets include endowment, specific purpose and board designated (unrestricted) funds.

Endowment funds are identified as permanent in nature, intended to provide support for current or future operations and other purposes identified by the donor. These funds are managed with disciplined longer-term investment objectives and strategies designed to accommodate relevant, reasonable, or probable events.

Specific purpose funds are temporary in nature, restricted as to time or purpose as identified by the donor or grantor. These funds have various intermediate/long-term time horizons associated with specific identified spending objectives.

Board designated funds have various intermediate/long-term time horizons associated with specific spending objectives as determined by the Board of Trustees.

Management of these assets is to increase, with minimum risk, the inflation adjusted principal and income of the endowment funds over the long term. The Hospital targets a diversified asset allocation that places emphasis on achieving its long-term return objectives within prudent risk constraints.

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. The Hospital's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the life of the related assets. When assets are retired or disposed of, the assets and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the accompanying statements of operations.

1. **Description of Organization and Summary of Significant Accounting Policies (Continued)**

Depreciation is computed using the straight-line method in a manner intended to amortize the cost of the assets over their estimated useful lives. Equipment under capital lease is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Costs of construction and acquisition of assets not yet placed in service are included in capital improvements and no depreciation expense is recorded.

Bond Issuance Costs/ Original Issue Discount or Premium

Bond issuance costs are being amortized using an accelerated amortization method, which approximates the effective interest method, over the life of the respective bonds. Bond premiums and discounts are amortized over the term of the bond using primarily the straight-line method which is not materially different than the level yield method.

Earned Time

The Hospital provides and accrues for paid time off for vacation, holiday and sick leave under an earned time system for nonexempt employees. Hours earned, but not used, are capped and vested with the employee.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Hospital has been limited by donors to a specified time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Hospital in perpetuity. Investment income, as well as realized and unrealized gains from permanently restricted net assets, are available for various uses as prescribed by the donors.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA), the Hospital considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the fund; (b) the purpose of the organization and the donor-restricted endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of the organization; and (g) the investment policies of the organization.

Spending Policy for Appropriation of Assets for Expenditure

Spending policies may be adopted by the Hospital, from time to time, to provide a stream of funding for the support of key programs. The spending policies are structured in a manner to ensure that the purchasing power of the assets is maintained while providing the desired level of annual funding to the programs. The Hospital evaluates its spending policies on an annual basis.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Donor-Restricted Contributions

Donated investments, supplies and equipment are reported at fair value at the date of receipt. Unconditional promises to give cash and other assets are reported at fair value at the date of the receipt of the promise. All gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Excess of Revenues, Support and Nonoperating Gains Over Expenses

The accompanying statements of operations include excess of revenues, support and nonoperating gains over expenses. Changes in unrestricted net assets which are excluded from excess of revenues, support and nonoperating gains over expenses, consistent with industry practice, include net assets released from restrictions used for the purposes of acquiring long-lived assets, net unrealized gains/losses on investments and the changes in the fair value of interest rate swap agreements deemed to be effective hedges.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in these estimates are reflected in the accompanying financial statements in the year in which they occur. During 2011 and 2010, net patient service revenue in the accompanying statements of operations increased approximately $650,000 and $321,000, respectively, due to changes in prior year estimates. Services rendered to individuals from whom payment is expected and ultimately not received is written off and included as part of the provision for bad debts.

Revenues from the Medicare and Medicaid programs accounted for approximately 31% and 2%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2011, and 32%, and 3%, respectively, for the year ended September 30, 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

Activities directly associated with services related to acute and ancillary care services are considered to be operating activities and are included as patient service revenue. Revenue which is not related to patient medical care and which is normal to the day-to-day operations of the Hospital is included in other revenue.

1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Financial Assistance Program

The Hospital accepts all patients regardless of their ability to pay. A patient is classified as a financial assistance patient by reference to certain established policies of the Hospital. Essentially, these policies define the financial assistance program as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Hospital utilizes federally established poverty guidelines. The financial assistance program is measured based on the Hospital's established rates. These charges are not included in net patient service revenue. The costs and expenses incurred in providing these services are included in operating expenses.

Self-Insurance Programs

The Hospital self-insures its employee health and dental benefits and has estimated and accrued amounts to meet its expected obligations under the program. The plan is administered by an insurance company which assists in determining the current funding requirements of participants under the terms of the plan and the liability for claims and assessments that would be payable at any given point in time. The Hospital recognizes revenue for services provided to employees of the Hospital during the year. Stop loss insurance coverage is in effect which mitigates the Hospital's exposure to loss on an individual and aggregate basis. Estimated unpaid claims, and those claims incurred but not reported at September 30, 2011 and 2010, have been recorded as a liability of approximately $408,000 and $376,000, respectively.

Income Taxes

The Hospital is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Management evaluated the Hospital's tax positions and concluded the Hospital has maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements. With few exceptions, the Hospital is no longer subject to tax examination by the U.S. federal or state tax authorities for years prior to 2008.

Advertising Costs

The Hospital expenses advertising costs as incurred, and such costs totaled approximately $93,000 and $86,000 for the years ended September 30, 2011 and 2010, respectively.

Derivatives and Hedging Activities

The interest rate swap agreements held by the Hospital meet the definition of derivative instruments and, consequently, the Hospital is required to record as an asset or liability the fair value of the interest rate swap agreements described in Note 8. The Hospital is exposed to repayment loss equal to any net amounts receivable under the swap agreements (not the notional amounts) in the event of nonperformance of the other parties to the swap agreements. However, the Hospital does not anticipate nonperformance and does not obtain collateral from the other parties.

1. **Description of Organization and Summary of Significant Accounting Policies (Continued)**

Reclassifications

Certain 2010 amounts have been reclassified to permit comparison with the 2011 financial statements presentation format.

Subsequent Events

Management of the Hospital evaluated events occurring between the end of its fiscal year and January 19, 2012, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07, *Health Care Entities* (Topic 954): *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities.* The ASU is effective for fiscal years and interim periods beginning after December 31, 2011, with early adoption permitted. Changes to the presentation of the provision for bad debts related to patient service revenue in the statement of operations is applied retrospectively to all prior periods presented. The ASU states that a health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient's ability to pay, must present bad debts as a reduction of net patient revenue and not as a separate item in operating expenses. The change in presentation, as required by this guidance, is not expected to significantly impact the Hospital's financial position, results of operations or cash flows.

In August 2010, the FASB issued ASU No. 2010-23 which provides amended guidance for the measurement of charity care for disclosure. The objective of ASU No. 2010-23 is to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. To accomplish that, this guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. This amendment also requires disclosure of the method used to identify or determine such costs. The ASU is effective for the year ending September 30, 2012. The Hospital does not expect that the impact of this accounting pronouncement will be significant to its financial statements.

In August 2010, the FASB issued ASU No. 2010-24 which addresses the diversity in the accounting for medical malpractice and similar liabilities and their related anticipated insurance recoveries by health care entities that mostly have netted insurance recoveries against the accrued liability, although some have presented the anticipated insurance recovery and the liability on a gross basis. The amendments to Topic 954 clarify that a health care entity should not net insurance recoveries against a related claim liability; the amount of the claim liability should be determined without consideration of insurance recoveries. This ASU is effective for the Hospital for the fiscal year ending September 30, 2012. The Hospital does not expect that the impact of this pronouncement will be significant to its financial statements.

2. Accounts Receivable

Accounts receivable are stated net of estimated contractual allowances and allowances for doubtful accounts. Accounts receivable consists of the following at September 30:

	2011	2010
Accounts receivable	$12,960,501	$12,390,923
Estimated contractual allowances	(4,155,226)	(4,707,045)
Estimated allowance for doubtful accounts	(3,578,746)	(2,852,177)
	$ 5,226,529	$ 4,831,701

3. Estimated Third-Party Settlements

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital was granted critical access hospital (CAH) designation on December 27, 2004. As a result of this designation, the Hospital is entitled to cost-based reimbursement from Medicare for services provided to Medicare beneficiaries. Inpatient acute care services rendered to Medicare program beneficiaries are paid under a cost reimbursement methodology. Outpatient services are paid based on a combination of rate schedules and reimbursed cost. The Hospital is reimbursed for cost reimbursable items at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been settled through September 30, 2008.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology subject to certain limitations. The Hospital is reimbursed at an interim rate with final settlement determined after submission of annual costs reported by the Hospital and audits thereof by the State of New Hampshire Division of Audit. The Hospital's Medicaid cost reports have been final settled through September 30, 2008.

Anthem

Inpatient and outpatient services rendered to Anthem subscribers are reimbursed at submitted charges less a discount withholding or through a per diem or fee schedule. The amounts paid to the Hospital are not subject to any retroactive adjustments.

3. **Estimated Third-Party Settlements (Continued)**

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers and health maintenance organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, per diems and discounts from established charges.

The Hospital has made a provision in the financial statements for estimated final settlements to be paid as a result of the retroactive provision for third-party reimbursement programs.

Medicaid Enhancement Tax and Medicaid Disproportionate Share

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.5% of the Hospital's net patient service revenues, with certain exclusions. The amount of tax incurred by the Hospital for fiscal 2011 and 2010 was $3,168,993 and $3,461,215, respectively. The Hospital has accrued $608,466 in MET at September 30, 2011. Prior to 2010, the MET was offset by disproportionate share payments of identical amounts to the Hospital and other New Hampshire hospitals.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. In 2011, the Hospital recognized disproportionate share payments totaling $3,152,663. In 2010, the Hospital recognized disproportionate share payments totaling $3,461,215.

As part of the State's biennial budget process for the two-year period ending June 30, 2013, it eliminated disproportionate share payments to certain New Hampshire hospitals, excluding hospitals classified as critical access. In December 2011, critical access hospitals in the State of New Hampshire received 75% of the disproportionate share funding due the hospitals covering the State's fiscal year ended June 30, 2012, which are reflected in the amounts above.

In response to the State's actions, certain New Hampshire hospitals have collectively filed a lawsuit against the State. At the date of these financial statements, the Hospital had elected not to join this lawsuit, since the State's biennial budget is slated to provide disproportionate share funding to critical access hospitals.

The Hospital has amended MET returns for State fiscal years 2009 through 2011 based upon further guidance provided that certain exclusions can be deducted from net patient service revenues. The State Department of Revenue Administration has audited these returns; however, the outcome of the amended returns and related audits is uncertain at the date of these financial statements.

4. Concentration of Credit Risk

Financial instruments which subject the Hospital to credit risk consist of cash and cash equivalents, accounts receivable and investments. The Hospital maintains cash accounts in financial institutions which are insured by federal agencies up to $250,000. The risk with respect to cash equivalents is minimized by the Hospital's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. The Hospital's accounts receivable are primarily due from third-party payors, and amounts are presented net of expected contractual allowances and uncollectible amounts. Individual investments that exceeded 10% of total investments include the Dreyfus Cash Management Fund as of September 30, 2011 and 2010. This investment represented approximately 15% and 27% of total investments as of September 30, 2011 and 2010, respectively.

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross patient accounts receivable at September 30, 2011 and 2010 was as follows:

	2011	2010
Medicare	28%	31%
Medicaid	6	6
Anthem	10	11
Other third-party payors	23	25
Patients	33	27
	100%	100%

5. Pledges Receivable

Pledges receivable consist of unconditional promises for contributions receivable in subsequent years. The following represents amounts promised to be contributed to the Hospital during the years ended September 30:

	2011	2010
In one year or less	$ 858,567	$ 879,937
Between one and five years	262,167	803,071
	1,120,734	1,683,008
Present value discount	(19,042)	(63,715)
Allowance for uncollectible pledges ($494,159 and $-0- of which is allocated to the current portion of pledges receivable at September 30, 2011 and 2010, respectively)	(627,818)	(646,504)
	$ 473,874	$ 972,789

During 2008, the Hospital began the process of constructing a $22 million expansion to its current facility. The Hospital has held a capital campaign to support a portion of this expansion. As of September 30, 2011, approximately $6,400,000 has been pledged or received in support of this campaign.

6. Assets Limited as to Use and Restricted Funds

The composition of assets limited as to use at September 30, 2011 and 2010 is set forth in the following table. Investments are stated at fair value.

	2011	2010
Held by trustee:		
Cash and cash equivalents	$ 1,819,168	$ 6,909,812
Board designated, donor restricted and long-term investments:		
Cash and cash equivalents	3,539,759	2,656,227
Marketable equity securities	12,851,552	11,179,775
Mutual funds	986,299	1,447,226
U.S. Treasury obligations	7,017,029	6,531,047
Corporate and foreign bonds	291,399	–
Interests in perpetual trusts	2,736,875	2,685,300
Bequest receivable	–	1,000,000
	27,422,913	25,499,575
	$29,242,081	$32,409,387

Amounts held by trustee represent disbursement funds related to funds drawn on the Series 2009 Revenue Bonds issue that have not yet been released to the Hospital as of year-end date. Funds released from this account are used to pay for costs incurred in conjunction with the ongoing construction project.

As a result of bequests, the Hospital is the beneficiary of two trust funds, one of which is administered by an outside trustee and the other administered by the Hospital. The terms of the perpetual trusts require that income or a percentage of income be paid to the Hospital in perpetuity; however, distribution of principal is not permitted under the terms of the trusts. The amounts recorded in the accompanying balance sheets represent the fair values of the assets upon notification of the trusts' existence, which are adjusted annually to reflect the appreciation or depreciation in the fair value of the assets. Offsetting amounts are included in permanently restricted net assets. Income distributed to the Hospital from these trusts is included in the accompanying statement of operations as investment income.

6. Assets Limited as to Use and Restricted Funds (Continued)

Investment income and realized and unrealized gains (losses) on investments are summarized as follows:

	2011	2010
Unrestricted:		
Investment income	$ 416,171	$ 445,002
Net realized gains on investments	516,679	268,872
Net unrealized gains on investments	28,563	675,523
	961,413	1,389,397
Restricted:		
Investment income	42,184	48,272
Net unrealized gains on perpetual trusts	51,575	152,628
	93,759	200,900
	$1,055,172	$1,590,297

The following table summarizes the aggregate unrealized losses on investments held at September 30, 2011 and 2010:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2011						
Marketable equity securities	$1,207,822	$(263,392)	$1,846,254	$(399,416)	$3,054,076	$(662,808)
Mutual funds	–	–	380,463	(71,936)	380,463	(71,936)
Fixed income	141,494	(1,209)	–	–	141,494	(1,209)
	$1,349,316	$(264,601)	$2,226,717	$(471,352)	$3,576,033	$(735,953)
2010						
Marketable equity securities	$ 736,603	$ (61,449)	$1,475,021	$(294,854)	$2,211,624	$(356,303)
Mutual funds	–	–	415,473	(59,106)	415,473	(59,106)
Fixed income	403,832	(5,047)	–	–	403,832	(5,047)
	$1,140,435	$ (66,496)	$1,890,494	$(353,960)	$3,030,929	$(420,456)

6. Assets Limited as to Use and Restricted Funds (Continued)

Unrealized losses within marketable equity securities of $662,808 at September 30, 2011, due mainly to market fluctuations, consists of eighteen securities, of which ten had unrealized losses for more than twelve months. Unrealized losses within mutual funds of $71,936 at September 30, 2011, due mainly to market fluctuations, consists of five funds, all of which had unrealized losses for more than twelve months. Other unrealized losses in the Hospital's fixed income portfolio at September 30, 2011 are attributed to market fluctuations and the impact movements in market interest rates have had in comparison to the underlying yields on these securities.

Management of the Hospital, in addition to considering current trends and economic conditions that may affect the quality of individual securities within the Hospital's investment portfolio, also considers the Hospital's ability and intent to hold such securities to maturity or recovery. Management does not believe any of the Hospital's securities with unrealized losses as described above are other than temporarily impaired at September 30, 2011 and 2010.

7. Property and Equipment

Property and equipment consists of the following at September 30:

	2011	2010
Land and land improvements	$ 4,471,198	$ 3,312,476
Building and building improvements	28,015,401	19,143,423
Equipment, including capital leases	38,920,049	38,240,434
Capital improvements in progress – see Note 12	1,644,168	10,530,226
	73,050,816	71,226,559
Less accumulated depreciation and amortization	(34,382,441)	(36,014,593)
	$ 38,668,375	$ 35,211,966

Depreciation and amortization expense related to property and equipment for the years ended September 30, 2011 and 2010 amounted to $4,821,873 and $4,323,128, respectively. The cost of assets recorded under capital leases totaled $1,946,064 and $2,382,643 at September 30, 2011 and 2010, respectively. The cost of these assets have been included with property and equipment and accumulated amortization included with accumulated depreciation. Accumulated amortization associated with these leases was $1,442,313 and $1,417,886 at September 30, 2011 and 2010, respectively.

8. Long-Term Debt and Capital Lease Obligations

Long-term debt consists of the following at September 30:

	2011	2010
New Hampshire Business Finance Authority (NHBFA) in conjunction with Revenue Bonds:		
Series 2009 with variable rate interest subject to an interest rate swap agreement (see below)	$ 9,579,594	$ 9,726,296
Series 2007 with varying interest at daily rates determined by the remarketing agent. The Bonds include an option to convert to a fixed rate in future periods and are subject to an interest rate swap agreement (see below)	18,335,000	18,840,000
Interest rate swap loan (see below)	428,000	476,000
Capital lease obligations with interest rates ranging from 3.25% to 8.00%, due in monthly installments ranging from $2,368 to $55,076, with maturity dates ranging from November 2011 to April 2014, collateralized by equipment	561,375	1,040,870
	28,903,969	30,083,166
Less current portion	(1,050,994)	(1,179,198)
	$27,852,975	$28,903,968

On August 1, 2009 the Hospital, in connection with NHBFA, issued $9,750,000 of tax-exempt revenue bonds. The Series 2009 Revenue Bonds were issued for the purpose of funding certain capital projects.

The Series 2009 Revenue Bonds consist of serial bonds which mature annually in amounts ranging from $154,686 in 2012 to $5,425,160 in 2029. The bonds bear interest at a variable rate equal to the sum of (1) the one month LIBOR multiplied by 69% plus (2) a percentage factor (dependent on the debt service coverage ratio maintained, ranges from 3% to 4%) multiplied by 69%. The interest rate at September 30, 2011 was 2.91%. Interest only payments were made on the bonds for the first twelve months after issuance and thereafter, principal and interest payments are made with the balance due in full in October 2019 at the demand of the bondholders and, in the absence of such demand, the bonds are due in full in October 2029. The Hospital has granted NHBFA a first security in all gross receipts and substantially all property and equipment of the Hospital.

On October 15, 2007, the Hospital, in connection with NHBFA, issued $20,230,000 of tax-exempt revenue bonds. The Series 2007 Revenue Bonds were issued for the purpose of advance refunding all of the Series 1997 and 2004 Revenue Bonds, and also the refinancing of the note payable to Rural Utilities Services, with additional proceeds to be used for funding certain capital projects.

8. Long-Term Debt and Capital Lease Obligations (Continued)

The Series 2007 Revenue Bonds mature annually in amounts ranging from $525,000 in 2012 to $1,235,000 in 2033. The bonds bear interest at varying daily interest rates determined by the remarketing agent and include an option to convert to a fixed rate in future periods. The interest rate at September 30, 2011 was 2.91%, including letter of credit fees, remarketing fees and the associated swap agreements. The bonds are secured by a letter of credit in the amount of $19,036,142 from a financial institution, which expires September 30, 2017. This letter of credit may be extended on each October 15 of 2012 through 2016 for an additional period at the financial institution's discretion upon request by the Hospital. If the letter is not renewed, the bonds are subject to mandatory tender for purchase via a draw on the letter of credit at a price equal to 100% of the principal amount thereof, plus accrued interest. Additionally, the Hospital has granted the financial institution a first security in all gross revenues and receipts and substantially all equipment of the Hospital.

Concurrent with the August 1, 2009 NHBFA bond issuance, the Hospital executed an interest rate swap agreement to hedge its exposure to the volatility of interest payments on its variable rate Series 2009 Revenue Bonds. At September 30, 2011, an interest rate swap agreement was outstanding at a notional amount totaling approximately $9.6 million. The swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 2.9%. The swap agreement, which expires in October 2019, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had fair value of $(1,163,942) and $(1,009,732) as of September 30, 2011 and 2010, respectively.

Concurrent with the October 15, 2007 NHBFA bond issuance, the Hospital executed an interest rate swap agreement to hedge its exposure to the volatility of interest payments on a portion of its variable rate Series 2007 Revenue Bonds. At September 30, 2011, an interest rate swap agreement was outstanding at a notional amount totaling approximately $11.3 million. The swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 3.57%. The swap agreement, which expires in October 2033, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had fair value of $(2,508,508) and $(2,113,503) as of September 30, 2011 and 2010, respectively.

The Hospital had a third interest rate swap agreement with a financial institution, which was originally issued in connection with the 2004 New Hampshire Health and Education Facilities Authority (NHHEFA) bonds, which were refunded during 2008. During 2010, the Hospital replaced this 2004 swap agreement with a new 2010 swap agreement that effectively hedges a portion of the 2007 NHBFA bonds. This newly issued swap agreement contains an additional interest rate spread, which in turn provides that the issuing bank make a cash payment to fund the payoff of the 2004 swap agreement on behalf of the Hospital. Accordingly, the Hospital recognized an interest rate swap loan liability of $480,000 during 2010, which represents the fair value of the 2004 swap at the time it was replaced. This loan is being amortized by the Hospital over the life of the new swap agreement. At September 30, 2011, an interest rate swap agreement was outstanding relating to the 2010 swap at a notional amount totaling approximately $7.5 million. The 2010 swap agreement hedges the Hospital's interest exposure by effectively converting interest payments from variable rates to a fixed rate of 2.76%. The swap agreement, which expires September 2020, is designated as a cash flow hedge of the underlying variable rate interest payments, and changes in the fair value of the swap agreement are reported as a change in unrestricted net assets. The swap agreement had a fair value of $(425,451) and $(253,099) as of September 30, 2011 and 2010, respectively.

8. Long-Term Debt and Capital Lease Obligations (Continued)

During the year, the Hospital pays or receives the difference between the fixed and variable rates applied to the notional amounts of the above interest rate swap agreements. During 2011 and 2010, the Hospital charged interest expense of $652,411 and $547,581, respectively.

In connection with the 2007 and 2009 NHBFA bonds, the Hospital is required to comply with certain restrictive financial covenants including, but not limited to, debt service coverage and debt to equity ratios. At September 30, 2011, the Hospital was in compliance with these restrictive covenants.

Scheduled gross principal payments on long-term debt for the next five years are as follows:

	Long-Term Debt	Capital Lease Obligations	Total
2012 (included in current liabilities)	$ 727,686	$323,308	$ 1,050,994
2013	761,102	167,777	928,879
2014	789,977	70,290	860,267
2015	824,334	–	824,334
2016	859,201	–	859,201
Thereafter	24,380,294	–	24,380,294
	$28,342,594	$561,375	$ 28,903,969

The Hospital also has an available $3,000,000 revolving line of credit with a financial institution. The line of credit agreement bears interest at the Hospital's option of the prime rate or 1, 2 or 3 month LIBOR plus 1.5% (3.25% at September 30, 2011). There was no balance outstanding under this agreement at September 30, 2011 or 2010.

9. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at September 30:

	2011	2010
Health care services:		
Purchase of equipment	$ 630,125	$1,884,239
Health education	231,640	247,309
Pledges receivable	473,874	972,789
Capital appreciation on endowment funds:		
Accumulated realized gains	22,249	22,249
	$1,357,888	$3,126,586

9. Temporarily and Permanently Restricted Net Assets (Continued)

Permanently restricted net assets of $6,956,317 and $6,904,665 at September 30, 2011 and 2010, respectively, are to be held in perpetuity and include two perpetual trusts (Note 6). The income and dividends on permanently restricted net assets are generally expendable to support health care services and capital purchases at the discretion of the Hospital and are principally recorded as net assets released from restrictions for the purchase of property and equipment.

During the years ended September 30, 2011 and 2010, $105,541 and $124,525, respectively, have been reclassified from temporarily restricted net assets to unrestricted net assets (recorded as net assets released from restrictions for operations).

Activity in fiscal 2011 and 2010 related to endowment funds was as follows:

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets
2011			
Balances, beginning of year	$ (368,390)	$ 22,249	$ 3,220,405
Contributions (including receipt of prior bequest)	–	–	1,000,077
Interest and dividends	–	88,694	–
Realized and unrealized gains on investments	168,045	–	–
Appropriation for expenditure	–	(88,694)	–
Balances, end of year	$ (200,345)	$ 22,249	$ 4,220,482
2010			
Balances, beginning of year	$ (592,940)	$ 22,249	$ 3,219,888
Contributions	–	–	517
Interest and dividends	–	97,203	–
Realized and unrealized gains on investments	224,550	–	–
Appropriation for expenditure	–	(97,203)	–
Balances, end of year	$ (368,390)	$ 22,249	$ 3,220,405

10. Net Patient Service Revenue

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

	2011	2010
Gross patient service revenue:		
Routine services	$ 16,602,154	$ 16,073,445
Ancillary services	102,394,117	95,112,092
	118,996,271	111,185,537
Deductions from revenue:		
Contractual adjustments and administrative write offs	(47,006,008)	(41,706,569)
Financial assistance program	(3,194,301)	(3,277,777)
Disproportionate share funding (note 3)	3,152,663	3,461,215
	(47,047,646)	(41,523,131)
Net patient service revenue	$ 71,948,625	$ 69,662,406

11. Employee Benefit Plans

The Hospital has a tax-sheltered annuity plan covering substantially all of its employees. Participating employees become eligible for employer contributions following the completion of two years of service, as defined, and attainment of age 21. Employer contributions are determined based on a percentage of employees' salaries. Benefit expense related to this plan for the years ended September 30, 2011 and 2010 amounted to approximately $744,000 and $755,000, respectively.

In 2010, the Hospital also offered to certain physicians the option to participate in an Internal Revenue Code Section 457 deferred compensation plan to which the Hospital may make a discretionary contribution. The Hospital made no contributions to the Plan for the years ended September 30, 2011 and 2010.

12. Commitments and Contingencies

The Hospital has purchased a commercial insurance policy that provides for comprehensive general liability and professional liability coverages on a claims made basis. As of September 30, 2011, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage nor are there any unasserted claims or incidents for which an accrual has not been made. The Hospital intends to continue coverage on a claims made basis with a commercial carrier and anticipates that such coverage will be available.

During 2009, the Hospital entered into a construction contract to expand the current facilities. Costs of construction were estimated at approximately $15.5 million. As of September 30, 2011, the project was substantially complete and the remaining contractual commitment was approximately $112,000.

13. Volunteer Services (Unaudited)

In 2011 and 2010, total volunteer service hours received by the Hospital were approximately 12,000 and 14,000, respectively. The volunteers provide nonspecialized services to the Hospital, none of which have been recognized as revenue or expense in the statements of operations.

14. Functional Expenses

The Hospital provides general health care services to residents within its geographic location. Expenses, excluding the New Hampshire Medicaid enhancement tax, related to providing these services are as follows for the years ended September 30, 2011 and 2010:

	2011	2010
Health care services	$63,378,679	$62,247,109
General and administrative, including interest	6,955,103	6,719,799
	$70,333,782	$68,966,908

Fundraising related expenses were approximately $432,000 and $325,000 for the years ended September 30, 2011 and 2010, respectively.

15. Financial Assistance Program and Community Benefits (Unaudited)

The Hospital maintains records to identify and monitor the level of financial assistance it provides. These records include the amount of charges foregone for services and supplies furnished under its financial assistance program, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of financial assistance provided during the years ended September 30, 2011 and 2010:

	2011	2010
Charges foregone, based on established rates	$3,194,000	$3,278,000
Estimated costs incurred to provide financial assistance	$1,957,000	$2,115,000
Equivalent percentage of financial assistance services to all services	2.68%	2.95%

In addition to the financial assistance identified above, the Hospital does not receive full payment from the Medicare and Medicaid programs for the cost of services to certain poor and elderly patients served. In 2011 and 2010, the Hospital incurred costs in excess of payments in these programs amounting to approximately $4,502,000 and $4,515,000, respectively.

The Hospital also provides other services to the community at no cost or reduced cost, such as screenings, clinics, etc. The cost of providing these services was approximately $2,166,000 and $2,589,000 for the years ended September 30, 2011 and 2010, respectively.

16. Fair Value of Financial Instruments

Fair value of a financial instrument is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including the System's own credit risk.

The FASB's codification establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Hospital performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the fiscal year ended September 30, 2011, the application of valuation techniques applied to similar assets and liabilities has been consistent with prior years.

16. Fair Value of Financial Instruments (Continued)

The following presents the balances of assets and liabilities measured at fair value on a recurring basis at September 30:

	Total	Level 1	Level 2	Level 3
2011				
Assets:				
Assets limited as to use:				
Cash and cash equivalents	$ 5,358,927	$ 826,427	$ 4,532,500	$ –
U.S. Treasury obligations	7,017,029	7,017,029	–	–
U.S. common stock	12,851,552	12,851,552	–	–
Mutual funds:				
Domestic	229,713	229,713	–	–
International	641,401	641,401	–	–
Closed end	115,185	115,185	–	–
Fixed income	291,399	–	291,399	–
Investments in perpetual trust	2,736,875	–	2,736,875	–
	$29,242,081	$21,681,307	$ 7,560,774	$ –
Liabilities:				
Interest rate swap agreements	$ 4,097,901	$ –	$ –	$ 4,097,901
2010				
Assets:				
Assets limited as to use:				
Cash and cash equivalents	$ 9,566,039	$ 595,307	$ 8,970,732	$ –
U.S. Treasury obligations	6,531,047	6,531,047	–	–
U.S. common stock	11,179,775	11,179,775	–	–
Mutual funds:				
Domestic	237,126	237,126	–	–
International	782,380	782,380	–	–
Closed end	130,042	130,042	–	–
Fixed income	297,678	–	297,678	–
Investments in perpetual trust	2,685,300	–	2,685,300	–
Bequest receivable	1,000,000	–	1,000,000	–
	$32,409,387	$19,455,677	$12,953,710	$ –
Liabilities:				
Interest rate swap agreements	$ 3,376,334	$ –	$ –	$ 3,376,334

The valuation of the interest rate swap agreements is estimated by a third party based on the anticipated cash flows under the swap agreements over their duration at market interest rates at September 30, 2011 and 2010.

16. Fair Value of Financial Instruments (Continued)

The following presents the change in Level 3 instruments for the years ended September 30:

	Interest Rate Swaps 2011	Interest Rate Swaps 2010
Balance, beginning of period	$ (3,376,334)	$ (2,291,851)
Swap payoff (see Note 8)	–	480,000
Total unrealized losses, net of payments:		
Included in statement of operations	–	(130,223)
Included in changes in net assets	(721,567)	(1,434,260)
Balance, end of period	$ (4,097,901)	$ (3,376,334)

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets and statements of operations.

The following methods and assumptions were used by the Hospital in estimating the "fair value" of other financial instruments in the accompanying financial statements and notes thereto:

Cash and cash equivalents: The carrying amounts reported in the accompanying statements of financial position for these financial instruments approximate their fair values.

Accounts and other receivables, pledges receivable, notes receivable, accounts payable and estimated third-party payor settlements: The carrying amounts reported in the accompanying statements of financial position approximate their respective values as these financial instruments have short-term maturities or are recorded at amounts that approximate fair value.

Long-term debt: The fair value of substantially all long-term debt approximates its carrying value due to the variable rate interest terms.

TD Bank

America's Most Convenient Bank®

November 16, 2012

Rich Scheinblum
Chief Financial Officer
The Monadnock Community Hospital
452 Old Street Road
Peterborough, NH 03458

Re: Direct Purchase Bond of Up To $32,000,000 Bond Issue

Dear Rich:

TD Bank, N.A. (the "Bank") is pleased to provide The Monadnock Community Hospital ("MCH" or "Borrower") with its commitment with respect to purchasing up to $32,000,000 of the Business Finance Authority of New Hampshire Series 2012 Bond (the "Bond"), as described in this letter and on the attached Exhibit A (the "Term Sheet" and together with this letter, this "Commitment").

Subject to the satisfaction of the conditions contained in this Commitment and your acceptance hereof, the Bank commits to purchase the Bonds pursuant to the terms and conditions referred to in this Commitment.

Please note that the terms and conditions of this Commitment are not limited to those set forth in this Commitment. Those matters that are not covered or made clear herein or in the attached Term Sheet are subject to mutual agreement of the parties. In addition, this Commitment is subject to the preparation, execution and delivery of mutually acceptable documentation substantially incorporating the terms and conditions outlined herein and in the Term Sheet.

This Commitment is subject to termination if any of the following occur: (a) filing by or against Borrower of any petition in bankruptcy or insolvency, or for reorganization or for the appointment of a receiver or a trustee, or the making of an assignment for the benefit of creditors or the filing of a petition for arrangement; (b) any information previously or hereafter submitted to Bank by Borrower, or any affiliate of Borrower, proves to have been inaccurate, incomplete, or misleading in any respect which is reasonably deemed by Bank to be material; (c) the occurrence of any change subsequent to the date of the most recent financial information previously submitted to Bank, or any development reasonably likely to have a material adverse effect on, the Borrower's business, assets, liabilities, financial condition or operations (financial or otherwise), and (d) the entry of a judgment against Borrower, which is reasonably deemed by Bank to materially affect the credit standing of Borrower.

Borrower agrees to indemnify and hold harmless Bank, any participants and any of their officers, agents, directors, employees, advisors, and affiliates (the "Indemnified Parties") from and against all losses, claims, damages, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of defense in connection therewith) this Commitment or the financing contemplated hereby, or any use made or proposed to be made with the proceeds thereof, except to the extent such claim, damage, loss, liability or expense is found in a final, nonappealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of any investigation, litigation or proceeding to which the indemnity in this paragraph applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by Borrower or an Indemnified Party or an Indemnified Party is otherwise a party thereto and whether or not the transaction contemplated by this Commitment is consummated.

In further consideration of this Commitment, and recognizing that in connection herewith Bank may incur substantial costs and expenses, including, without limitation, fees and expenses of counsel and due diligence, transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees, Borrower agrees to pay, from time to time on request, such costs and expenses (whether incurred before or after the date hereof), regardless of whether the transaction contemplated by this Commitment (or any part thereof) is consummated or any loan documentation is entered into. Borrower also agrees to pay all reasonable costs and expenses of Bank (including, without limitation, reasonable fees and expenses of counsel) incurred in connection with the enforcement of this Commitment.

Borrower agrees that this Commitment is for Borrower's confidential use only and neither its existence nor the terms hereof will be disclosed by Borrower to any person or entity other than its officers, directors, accountants, attorneys and other advisors, and then only on a "need to know" basis in connection with this Commitment and on a confidential basis, except that, following Borrower's return of an executed counterpart hereof to Bank, Borrower may (a) make public disclosure of the existence and amount of Bank's commitment hereunder, (b) file a copy of this Commitment in any public record in which it is required by law to be filed, and (c) make such other public disclosures of the terms and conditions hereof as Borrower is required by law, in the opinion of Borrower's counsel, to make. Borrower agrees that it will permit Bank to review and approve any reference to Bank or any of its affiliates contained in any press release or similar public disclosure prior to public release.

By acceptance of this Commitment, Borrower hereby indemnifies Bank and any participants against claims of brokers, finders, investment bankers or like third parties arising in connection with this Commitment.

Borrower represents and warrants that (a) all information that has been or will hereafter be made available by or on behalf of Borrower or by any of its representatives or affiliates in connection with this Commitment and the transaction contemplated hereby to Bank, or any of its affiliates or representatives (other than financial projections), when read in the aggregate, is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances under which such statements were or are made, and (b) all financial projections that have been or will be prepared by Borrower or on Borrower's behalf or by any of its representatives and made available to Bank, or any of its affiliates or representatives in connection with this Commitment and the transactions contemplated hereby have been or will be prepared in good faith based upon reasonable assumptions (it being understood that such projections are subject to significant uncertainties and contingencies, many of which are beyond Borrower's control, and that no assurance can be given that any particular projections will be realized). Borrower agrees to supplement the information and projections from time to time so that the representations and warranties contained in this paragraph remain complete and correct.

Borrower's obligations under this letter shall survive any termination of Bank's commitment hereunder and shall be enforceable against Borrower regardless of whether the definitive financing agreements are executed. Bank shall not be responsible or liable to Borrower or any other person for any consequential or indirect damages that may be alleged as a result of this commitment letter.

This Commitment is not assignable by Borrower and may not be relied upon or enforced by any other person or entity.

This Commitment shall be governed by, and construed in accordance with, the laws of the State of New Hampshire. Delivery of an executed counterpart of this Commitment by facsimile or other electronic transmission shall be effective as delivery of a manually executed counterpart of this Commitment. Each of Borrower and Bank hereby irrevocably waives all right to trial by a jury in any action, suit, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Commitment, the transactions contemplated hereby or the actions of Bank, in the negotiation, performance or enforcement hereof.

This Commitment supersedes all prior oral and written communications, dealings and understandings between Borrower and Bank and their respective affiliates, agents, officers, employees, directors, advisors and other representatives. The terms of this Commitment may not be waived, modified or in any way changed by implication, correspondence or otherwise unless such waiver, modification or change is made in the form of an amendment to this Commitment in writing and agreed to by all parties.

This Commitment expires at 5:00 p.m. on November 30, 2012 (the "Commitment Expiration Date") unless accepted by Borrower prior to such time, and the transaction contemplated by this Commitment must be closed in accordance with the terms of this Commitment not later than January 25, 2013 (the "Closing Date"), as such date may be extended in writing by Bank in its sole discretion.

If the foregoing is acceptable, kindly so indicate the agreement and acceptance of Borrower by having an authorized officer of Borrower sign and date one copy of this letter, and return such copy together with the Term Sheet attached hereto to Bank to the attention of the undersigned for Bank's files not later than 5:00 p.m. on the Commitment Expiration Date.

TD Bank, N.A. appreciates the opportunity to offer this Commitment and looks forward to working with you on successfully completing this transaction.

Sincerely,

TD BANK, N.A.

By: Stacey M. Donlon
Name: Stacey M. Donlon
Title: Vice President

Attachment (Exhibit A)

Accepted and agreed to:
The Monadnock Community Hospital

By:
Name: Richard D. Scheinblum
Title: Chief Financial Officer
Date: November 28, 2012

EXHIBIT A

Terms and Conditions

1. *Option 1:* Variable Rate Non Bank Qualified Tax Exempt Private Placement Bond:

(a)	Borrower:	The Monadnock Community Hospital ("Borrower").
(b)	Credit Amount:	Up to $28,000,000.
(c)	Type of Credit:	Non-Bank Qualified, Tax-Exempt Private Placement Bond to be purchased by TD Bank, N.A.
(d)	Issuer:	Business Finance Authority of New Hampshire (BFA)
(e)	Purpose of Loan:	(a) Direct Purchase of the existing Series 2007 and 2009 Bonds (b) Bond Issuance Costs
(f)	Term:	10 years
(g)	Payments:	It is assumed that the Bonds will be amortized over a maximum of thirty (30) years.
(h)	Upfront Fee:	An upfront fee equal to 25 basis points to be applied to the Loan amount shall be due at closing
(i)	Prepayment Fee:	No prepayment penalty
(j)	Interest Rate:	The interest rate would be equal to the sum of the 1-month LIBOR rate plus 1.75%, multiplied by 75%; the interest rate will adjust monthly. Based on the 1-month LIBOR of 0.20750% as of November 14, 2012, the initial rate would be approximately 1.4681%.
(k)	Collateral:	The Bank will benefit from a security interest in gross receipts and business assets granted to the BFA for the Bonds. The Borrower shall also provide a Mortgage on the real estate owned by the Borrower, and an assignment of leases and rents; an appraisal and Phase One Environmental Site Assessment will be required. Collateral will be on parity with any existing or future debt.

2. *Option 2:* Fixed Rate Non Bank Qualified Tax Exempt Private Placement Bond:

(a)	Borrower:	The Monadnock Community Hospital ("Borrower").
(b)	Credit Amount:	Up to $32,000,000.
(c)	Type of Credit:	Non-Bank Qualified, Tax-Exempt Private Placement Bond to be purchased by TD Bank, N.A.
(d)	Issuer:	Business Finance Authority of New Hampshire (BFA)
(e)	Purpose of Loan:	(a) Direct Purchase of the existing Series 2007 and 2009 Bonds (b) Swap Termination Costs (c) Bond Issuance Costs
(f)	Term:	10 years
(g)	Payments:	It is assumed that the Bonds will be amortized over a

Exhibit A
Terms and Conditions

		maximum of thirty (30) years.
(h)	Upfront Fee:	An upfront fee equal to 25 basis points to be applied to the Loan amount shall be due at closing
(i)	Prepayment Fee:	At the time of any full prepayment, a fee equal to the Yield Maintenance shall be due
(j)	Interest Rate:	A 10-year fixed tax exempt interest rate equal to the sum of the Bank's 10/30 Closed Cost of Funds (COF) rate plus 1.50%, multiplied by 75%. Based on the 10/30 Closed COF rate of 2.03% as of November 13, 2012, the fixed rate would be approximately 2.6475%; this rate is indicative and is subject to change until closing.
(k)	Collateral:	The Bank will benefit from a security interest in gross receipts and business assets granted to the BFA for the Bonds. The Borrower shall also provide a Mortgage on the real estate owned by the Borrower, and an assignment of leases and rents; an appraisal and Phase One Environmental Site Assessment will be required. Collateral will be on parity with any existing or future debt.

3. Depository Relationship:

   The Borrower will be required to maintain its primary depository relationship with the Bank for the term of the Credit Facility.

4. Fees and Expenses:

   The Borrower shall pay to the Bank on demand any and all costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements, court costs, litigation and other expenses) incurred or paid by the Bank in connection with the loan.

5. Legal Opinion:

   The tax exempt interest rates set forth above are subject to a tax-exempt opinion of counsel to the Borrower and the Agency in form and substance acceptable to the Bank.

6. Documents:

   The form and substance of all documents executed and/or delivered to the Bank, including, but not limited to, the insurance policies and other instruments of collateral thereto, shall in all respects be satisfactory to the Bank and Bank's counsel.

7. Parity Position:

   All debt to be Cross-Collateralized, Cross-Defaulted and on Parity with all existing and future debt.

8. Financial Reporting:

   Borrower shall furnish the following financial reports:

Type of Report	Frequency	Due Date
Audited Financial Statements	Annually	120 days after fiscal year end

Officers Certificate, certifying compliance with the Financial Loan Covenants	Quarterly	45 days after end of quarter
Internally Prepared Financial Statements, to include income statement and balance sheet	Quarterly	45 days after end of quarter
Operating and Capital Budget	Annually	60 days after prior year end
Utilization Statistics	Quarterly	45 days after end of quarter
Any CPA Management Letter or Reports produced during the tenor of the proposed facility	On Going	

*In addition, Borrower(s) shall furnish to the Bank such other reports as shall be required in the loan documents.

9. Financial Covenants:
Definitions to remain unchanged from those put in place for the Series 2009 Bond Issue.
   - Minimum Rolling Quarterly Debt Service Coverage Ratio of 1.50x.
   - Minimum Semi-Annual Days Cash on Hand of 75 days
   - Maximum Semi-Annual Debt to Capitalization Ratio of 60%.

10. Additional Debt and Permitted Liens:
The Bank would not prohibit the Borrower from incurring any additional indebtedness subject to:
   - Prior notice to the Bank of the Borrower's intent to incur the indebtedness, including the amount and terms;
   - And, no current or past events of default on the Credit Facility, including but not limited to past and anticipated future compliance with financing covenants;
   - And, pro-forma debt service coverage ratio as defined per the debt service ratio covenant (see above) provided by the most recent fiscal years' cash flow available for debt service and the existing and to be created indebtedness debt service does not fall below 1.50x.

Without the Bank's consent, the Borrower may incur indebtedness up to $750,000 annually for customary CAPEX purchases and grant PMSI in assets purchased.

11. Appraisal:
This commitment is subject to receipt and satisfactory Bank review of an appraisal, prepared by an appraiser of Bank's choice, to be completed not more than two months after closing of the bond. Note, there will be no required loan to value ratio in conjunction with this appraisal..

12. Environmental:
This commitment is subject to completion and satisfactory Bank review of a Phase One Environmental Site Assessment, prepared by an environmental engineer of Bank's choice prior to closing of the bond.

13. Title:
Bank shall require that a full title search be performed on the subject property. Bank reserves the right to withdraw this commitment if the title is not satisfactory to the Bank or Bank's counsel.

14. Title Insurance:
Bank shall require a title insurance policy in a form satisfactory to the Bank for the full amount of the loan. Title Insurance is also available to insure the Borrower's interest at an additional cost.

15. Flood Insurance:

If the property is located in a special flood hazard area, appropriate flood insurance is required in an amount acceptable to the Bank.

16. Property Insurance:

The Borrower shall provide evidence of insurance coverage for the total value of the collateral. This may include, but is not limited to, "All Risk" Physical Damage Insurance in an amount satisfactory to the Bank for the life of the loan. Evidence of such insurance must be provided on or before the date of the closing and the insurance policy shall name Bank as Mortgagee or Lender Loss Payee and require twenty (20) days advance notice of cancellation, non-renewal, or any material change. Such insurance must be maintained for the term of the loan and the Bank shall be provided with any endorsements or riders thereof. The Bank information should be: TD Bank, N.A., ISAOA, Attention: Commercial Loan Department, 143 North Main Street, Concord, NH 03301.

17. Opportunity to bid:

Acceptance of these terms will give the Bank the opportunity to bid on any additional interest rate swaps, capital and operating leases, short term debt facilities, and any other Bank business as may arise from time to time during the term of the facility.

18. Customer Identification:

Federal law requires that banks obtain and verify information regarding the identity of their customers. If a Borrower is an entity to be formed, then, at least two (2) business days prior to closing, the Borrower must provide the Bank with such information, documents or other evidence of identity as the Bank may, in its sole discretion, require. Satisfaction of this requirement and verification of Borrower identity by the Bank, as determined by the Bank in its sole discretion, shall be a precondition to the Bank closing or funding any loan to the Borrower.

19. Non-Assignably:

The identity of the Borrower is of material importance to the Bank. This commitment may not be assigned by the Borrower.

20. No Adverse Change:

The decision to lend is based in part on information supplied to this Bank by the Borrower or its representatives who presented the information as being accurate and on which the Bank relied to make its decision. Any misinformation or withholding of material information incident thereto, shall at the option of the Bank and without limitation to any other right or remedy of Bank, void all of Bank's obligations hereunder. This commitment is subject to no material adverse change in the affairs, circumstances, financial condition, or control of the Borrower subsequent to the date this offer is made.

OTHER TERMS: The summary of terms and conditions set forth in this letter does not purport to include all of the conditions, covenants, representations, warranties, defaults and other provisions which will be contained in the definitive documents for the transaction which must be satisfactory to Bank's counsel. We anticipate that any additional conditions, covenants and provisions will be consistent with those as stipulated in the existing loan agreements and bond documentation. In addition to definitive financial and business covenants, closing conditions (including legal opinions of Borrower's and Bank's counsel), financial and reporting requirements and representations and warranties as to the financial condition and business affairs of the Borrower, additional provisions will include, but will not necessarily be limited to, appropriate insurance, access to books, records and property, payment of indebtedness, taxes, and governmental charges, compliance with ERISA, environmental laws and other federal, state, and local statutes, sales by the Bank of participations in the credit and defaults, cross-defaults and remedies.

Not Seasonally Adjusted Estimates by Place of Residence

Labor Force Estimates

New Hampshire	Sep-12	Aug-12	Sep-11
Total Civilian Labor Force	737,540	746,370	737,460
Employed	699,580	704,030	698,910
Unemployed	37,960	42,340	38,550
Unemployment Rate	5.1%	5.7%	5.2%

United States (# in thousands)	Sep-12	Aug-12	Sep-11
Total Civilian Labor Force	155,075	155,255	154,022
Employed	143,333	142,558	140,502
Unemployed	11,742	12,696	13,520
Unemployment Rate	7.6%	8.2%	8.8%

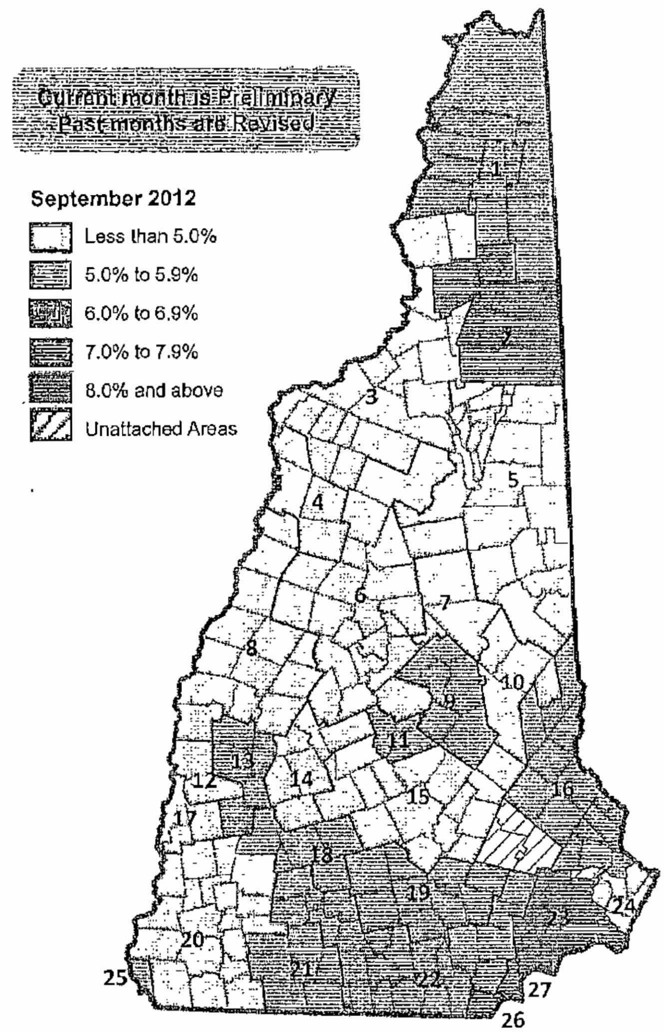
Unemployment Rates by Area

Counties	Sep-12	Aug-12	Sep-11
Belknap	4.8%	5.1%	5.1%
Carroll	4.6%	4.3%	4.9%
Cheshire	4.8%	5.8%	5.1%
Coos	6.4%	7.2%	6.5%
Grafton	4.0%	4.4%	4.2%
Hillsborough	5.5%	6.0%	5.5%
Merrimack	4.6%	5.1%	4.8%
Rockingham	5.6%	6.1%	5.5%
Strafford	5.0%	5.7%	5.1%
Sullivan	4.6%	4.9%	4.8%

Map Key	Labor Market Areas	Sep-12	Aug-12	Sep-11
1	Colebrook NH-VT LMA, NH Portion	5.8%	6.8%	5.1%
2	Berlin NH MicroNECTA	7.6%	8.3%	7.8%
3	Littleton NH-VT LMA, NH Portion	4.5%	4.9%	4.7%
4	Haverhill NH LMA	4.7%	5.7%	5.1%
5	Conway NH-ME LMA, NH Portion	4.9%	4.5%	5.1%
6	Plymouth NH LMA	4.6%	5.1%	5.0%
7	Moultonborough NH LMA	3.5%	3.4%	3.9%
8	Lebanon NH-VT MicroNECTA, NH Portion	3.4%	3.8%	3.5%
9	Laconia NH MicroNECTA	5.0%	5.2%	5.2%
10	Wolfeboro NH LMA	4.3%	4.1%	4.4%
11	Franklin NH MicroNECTA	5.0%	5.3%	5.3%
12	Claremont NH MicroNECTA	4.7%	5.0%	4.9%
13	Newport NH LMA	5.4%	5.7%	5.3%
14	New London NH LMA	4.4%	5.0%	4.4%
15	Concord NH MicroNECTA	4.6%	5.0%	4.8%
16	Rochester-Dover NH-ME MetroNECTA, NH Portion	5.0%	5.7%	5.1%
17	Charlestown NH LMA	4.9%	5.1%	5.3%
18	Hillsborough NH LMA	5.3%	6.2%	5.5%
19	Manchester NH MetroNECTA	5.2%	5.8%	5.2%
20	Keene NH MicroNECTA	4.7%	5.5%	4.9%
21	Peterborough NH LMA	5.2%	6.2%	5.5%
22	Nashua NH-MA NECTA Division, NH Portion	5.5%	6.1%	5.6%
23	Exeter Area, NH Portion, Haverhill-N. Andover-Amesbury MA-NH NECTA Division	6.2%	6.8%	6.0%
24	Portsmouth NH-ME MetroNECTA, NH Portion	4.3%	4.8%	4.5%
25	Hinsdale Town, NH Portion, Brattleboro VT-NH LMA	5.7%	7.1%	5.1%
26	Pelham Town, NH Portion, Lowell-Billerica-Chelmsford MA-NH NECTA Division	6.5%	6.6%	6.7%
27	Salem Town, NH Portion, Lawrence-Methuen-Salem MA-NH NECTA Division	7.5%	8.2%	7.2%

Unemployment Rates by Region

Not Seasonally Adjusted	Sep-12	Aug-12	Sep-11
United States	7.6%	8.2%	8.8%
Northeast	7.9%	8.4%	8.0%
New England	7.0%	7.3%	7.5%
Connecticut	8.2%	9.2%	8.5%
Maine	6.7%	6.7%	6.7%
Massachusetts	6.4%	6.4%	7.3%
New Hampshire	5.1%	5.7%	5.2%
Rhode Island	9.8%	10.6%	10.8%
Vermont	4.9%	5.0%	5.2%
Mid Atlantic	8.2%	8.8%	8.2%
New Jersey	9.2%	9.7%	9.2%
New York	8.2%	8.8%	8.2%
Pennsylvania	7.5%	8.2%	7.5%



New Hampshire unemployment and labor force estimates are calculated using a regression model which depends on Current Population Survey (CPS) estimates. Labor Market Area estimates are calculated using the Bureau of Labor Statistics "Handbook Method" and then adjusted to the State levels.

LOAN AND SECURITY AGREEMENT

Among

TD BANK, N.A.,
as Purchaser

and

BUSINESS FINANCE AUTHORITY
OF THE STATE OF NEW HAMPSHIRE,
as Issuer,

and

THE MONADNOCK COMMUNITY HOSPITAL,
as Borrower
Dated as of January 1, 2013

$____________
Business Finance Authority of the
State of New Hampshire Refunding Revenue Bonds
(The Monadnock Community Hospital Issue)
Series 2013

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(The Monadnock Community Hospital Issue) Series 2013

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT dated as of January 1, 2013 (with any supplements, modifications or amendments hereto, including all exhibits and schedules hereto, the "Agreement") among TD Bank, N.A., as bond purchaser and disbursing agent (with its successors and assigns, sometimes hereinafter referred to as the "Purchaser" or the "Disbursing Agent."), Business Finance Authority of the State of New Hampshire, a body politic and corporate and a public instrumentality duly organized and validly existing under the laws of the State of New Hampshire (the "State"), as the issuer (together with its successors and assigns, the "Issuer"), and The Monadnock Community Hospital, a non-profit voluntary corporation organized under the laws of the State of New Hampshire (the "Borrower").

RECITALS

WHEREAS, the Issuer is authorized by law, including New Hampshire RSA Chapter 162-I (referred to herein as the "Act") to enter into financing documents and security documents with respect to indebtedness of the Issuer to be used to finance eligible projects as described in the Act; and

WHEREAS, the Borrower is a non-profit voluntary corporation, is an organization described in Section 501(c)(3) of the Code (defined below) and is authorized to lease, sublease, purchase and hold real and personal property and to borrow money to finance or refinance the same; and

WHEREAS, in furtherance of the purpose of the Act, the Issuer proposes to refinance the renovation and construction of the Property (as hereinafter defined) by the Borrower pursuant to this Agreement by selling the Bonds (as hereinafter defined) to the Purchaser and lending the proceeds thereof to the Borrower; and

WHEREAS, the Borrower proposes to borrow the proceeds of the sale of the Bonds from the Issuer upon the terms and conditions set forth herein to refinance the renovation and construction of the Property by refunding the Refunded Bonds; and

WHEREAS, the Borrower shall make Debt Service Payments (as hereinafter defined) to the Purchaser as assignee of the Issuer.

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and in consideration of the premises contained in this Agreement, the Purchaser, the Issuer and the Borrower agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. The following terms used herein will have the meanings indicated below unless the context clearly requires otherwise:

"Accounts Receivable" means any and all rights of the Borrower to payment for services rendered or for goods sold or leased which is not evidenced by an instrument or chattel paper, whether or not it has been earned by performance.

"Act" means New Hampshire RSA Chapter 162-I, as in effect from time to time, and any successor statute.

"Additional Payments" shall have the meaning ascribed to such term in Section 4.03 hereof.

"Agreement" means this Agreement, including all exhibits and schedules hereto, as any of the same may be supplemented or amended from time to time in accordance with the terms hereof.

"Asset Impairments and Abandonments" shall have the meaning as ascribed under GAAP.

"Bonds" means the $________ Business Finance Authority of the State of New Hampshire Refunding Revenue Bonds (The Monadnock Community Hospital Issue), Series 2013 issued by the Issuer and purchased by the Purchaser pursuant to this Agreement, which shall constitute "Bonds" within the meaning of Section 162-1:2 of the Act, in the form of Exhibit C hereto, and any bond or bonds duly issued in exchange or replacement therefor.

"Bond Counsel" means Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., or other nationally recognized bond counsel selected by the Issuer and satisfactory to the Purchaser.

"Bondowners" means the registered owners of the Bonds from time to. The initial Bondowner is TD Bank, N.A., as the Purchaser.

"Bond Payments" shall have the meaning set forth in Section 2.04 of this Agreement.

"Bond Proceeds" means the total amount of money to be paid pursuant to Section 2.02 hereof by the Purchaser to the Issuer on behalf of the Borrower, in accordance with this Agreement.

"Borrower" means The Monadnock Community Hospital.

"Borrower's Representatives" means either the President/Chief Executive Officer or the Vice President of Finance/Chief Financial Officer, either of whom may act singly, or an alternate or successor appointed by the Borrower with notice to the Disbursing Agent.

"Business Day" means a day other than a Saturday or Sunday on which banks are generally open for business in New York, New York.

"Closing" means the issuance of the Bonds and the purchase of the Bonds by the Purchaser.

"Closing Date" means the date on which the Closing occurs.

"Daily Cash Operating Expenses" shall mean total operating expenses inclusive of Interest Expense less depreciation, amortization, bad debt provision; excluding losses on early extinguishment of Indebtedness, non-cash pension adjustments, changes in unrealized securities and derivative values, all of the foregoing to be determined in accordance with GAAP, divided by three hundred sixty-five (365).

"Date of Taxability" means the date upon which Interest became includable in the Purchaser's gross income for federal tax purposes as a result of an Event of Taxability.

"Days Cash on Hand" shall mean Unrestricted Cash and Investments divided by Daily Cash Operating Expenses.

"Debt Service Coverage Ratio" shall mean for any twelve month period the ratio established by dividing (a) Income Available for Debt Service for such period, by (b) Debt Service Payments for such period, as the foregoing shall appear in the quarterly or annual financial statements prepared by or on behalf of the Borrower in accordance with Section 7.01 of this Agreement, and all of the foregoing to be determined in accordance with GAAP.

"Debt Service Payments" means the payments payable by the Borrower pursuant to the provisions of this Agreement in accordance with the schedule of principal payments as specifically set forth in Exhibit A hereto. As provided in Article II hereof, Debt Service Payments shall be payable by the Borrower to the Purchaser, as assignee of the Issuer, in the amounts and at the times as set forth in Exhibit A hereto.

"Debt to Capitalization Ratio" shall mean the ratio established by dividing (a) Short-Term Indebtedness plus Long-Term Indebtedness (less sinking fund repayment funds held by any bond trustee), by (b) Unrestricted Net Assets plus Temporarily Restricted Fund Balances plus Short-Term Indebtedness plus Long-Term Indebtedness (less sinking fund repayment funds held by any bond trustee), all of the foregoing to be determined in accordance with GAAP.

"Default" means an event that, with giving of notice or passage of time or both, would constitute an Event of Default (defined below) as provided in Article XIII hereof.

"Determination of Taxability" means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue or any court of competent jurisdiction, or an opinion of counsel qualified in such matters obtained by the Purchaser, that an Event of Taxability shall have occurred. A Determination of Taxability also shall be deemed to have occurred on the first to occur of the following:

(a) the date when the Borrower files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred; or

(b) the effective date of any federal legislation enacted after the date of this Agreement or promulgation of any income tax regulation or ruling by the Treasury Department or the Internal Revenue Service that causes an Event of Taxability after the date of this Agreement.

"Event of Default" shall have the meaning ascribed to such term in Section 13.02 hereof.

"Event of Taxability" means an event upon the occurrence of which Interest is or becomes includable in the Purchaser's gross income for federal income tax purposes (except where the Purchaser is a "substantial user" of the facilities refinanced with the Bond Proceeds pursuant to the terms of the Agreement or a "related person" within the meaning of Section 147 of the Code), as the result of any act, failure to act or use of the Bond Proceeds, a change in use of the Property or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement by the Issuer or the Borrower or the enactment of any federal legislation after the date of this Agreement or the promulgation of any income tax regulation or ruling by the Internal Revenue Service after the date of this Agreement.

"Expense Fund" shall have the meaning ascribed to such term in Section 2.08 hereof.

"Fiscal Year" of the Borrower means the twelve months ending on September 30 in any calendar year, or such other twelve month period as the Borrower adopts as its fiscal year in the future.

"GAAP" shall mean generally accepted accounting principles and practices in the United States.

"Gross Receipts" means all current and future receipts, revenues, income and other moneys received by or on behalf of the Borrower, including, but without limiting the generality of the foregoing, revenues derived from the ownership or operation of the Property, including insurance and condemnation proceeds with respect to the Property or any portion thereof, and all rights to receive the same, whether in the form of accounts, Accounts Receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence; provided, however, that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on Indebtedness of the Borrower) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Gross Receipts.

"Gross-Up Rate" means, with respect to any Interest payment (including payments made prior to the Event of Taxability), an additional payment in an amount sufficient such that the sum of the Interest payment plus the additional payments would, after reduction by the federal tax (including interest and penalties) actually imposed thereon, equal the amount of the Interest payment.

"Hedge Agreement" means an interest rate swap, cap, collar, floor, forward or other hedging agreement, arrangement or security however denominated, expressly identified pursuant to its terms as being entered into in connection with and in order to hedge interest rate fluctuations on all or a portion of any Indebtedness.

"Income Available for Debt Service" shall mean, during the measured period, the change in Unrestricted Net Assets plus depreciation and amortization plus Interest Expense, plus/minus losses or gains on early extinguishment of Indebtedness, plus/minus non-cash pension adjustments, plus/minus unrealized changes in securities and derivative valuations, plus losses on Asset Impairments and Abandonments, minus assets released for capital expenditures, all as determined in accordance with GAAP.

"Indebtedness" means, as to any Person, all obligations, contingent and otherwise, which in accordance with generally accepted accounting principles consistently applied should be classified upon such Person's balance sheet as liabilities, but in any event including, without limitation, liabilities secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired by such Person whether or not the liability secured thereby shall have been assumed, letters of credit open for account, obligations under acceptance facilities, capitalized lease obligations and all obligations on account of guaranties, endorsements and any other contingent obligations in respect of the Indebtedness of others whether or not reflected on such balance sheet or in a footnote thereto.

"Institution Counsel" means McKee, Giuliani & Cleveland.

"Interest" means the portion of any payment from the Issuer to the Purchaser on the Bonds in an amount equal to the portion of the payment from the Borrower to the Issuer designated as the interest component as shown in Exhibit A hereto.

"Interest Expense" shall mean interest expense paid by the Borrower with respect to Short-Term Indebtedness and Long-Term Indebtedness (including letter of credit fees, if any, and expenses plus/minus net settlements (exclusive of termination/unwind settlements) on interest rate Hedge Agreements.

"Issuer" means the Business Finance Authority of the State of New Hampshire, acting as the issuer under this Agreement, and its successors.

"Issuer's Service Charge" means payment to the Issuer for its own use of $________, payable on the date of execution and delivery hereof.

"Issuer's Tax Certificate" means the No Arbitrage Certificate of the Issuer of even date herewith.

"LIBOR" means the London Interbank Offering Rate.

"Liens" shall have the meaning ascribed to such term in Section 6.07 hereof.

"Loan" means the loan of the Bond Proceeds from the Issuer to the Borrower pursuant to this Agreement.

"Long-Term Indebtedness" shall mean all Indebtedness, other than Short-Term Indebtedness, for any of the following:

> (i) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, of longer than one year;
>
> (ii) Payments under 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, longer than one year; and
>
> (iii) Payments under installment purchase contracts having an original term in excess of one year.

"Mortgage" means the mortgage agreement of even date herewith from the Borrower to the Purchaser with respect to the Real Property.

"One-Month LIBOR" means the rate for deposits in U.S. Dollars for a period equal to one month, as such rate appears on Telerate Page 3750 (as defined below) as of 11:00 AM, London time, on the day that is two (2) Business Days prior to the adjustment date. If such rate does not appear on Telerate Page 3750, the rate for that adjustment date will be the arithmetic mean of the rates quoted by major banks in London, selected by the Purchaser, for a period equal to one (1) month, as of 11:00 AM, London time, on the day that is two (2) Business Days prior to the adjustment date. "Telerate Page 3750" means the display designated as "Page 3750" on the Dow Jones Telerate Service (or such other page as may replace Page 3750 on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar Deposits). The interest rate from time to time applied hereunder, if based upon the One-Month LIBOR, shall be calculated on the date hereof and thereafter on the same day of each calendar month hereafter, so that when the One-Month LIBOR shall change, the applicable interest rate to be paid by the Borrower shall change, effective as set forth above. The Purchaser shall not be required to notify the Borrower of adjustments in the One-Month LIBOR or the applicable interest rate.

"Permitted Liens" shall have the meaning ascribed to such term in Article III paragraph (k).

"Person" means an individual, corporation, partnership, joint venture, association, estate, joint stock company, trust, organization, business or a government or agency or political subdivision thereof.

"Personal Property" means all properties, assets and rights of the Borrower, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof, including, but not limited to, the following: all goods (including inventory, equipment, accessions to inventory and equipment, timber to be cut, and as-extracted collateral), fixtures, instruments (including promissory notes), documents, accounts, accounts receivable, chattel paper (whether tangible or electronic), letter of credit rights (whether or not the letter of credit is evidenced by a writing), commercial tort claims, insurance claims and proceeds, and all general intangibles, including, without limitation, all payment intangibles, payment applications, trademarks, trademark applications, trade names, copyrights, copyright applications, software, engineering drawings, service marks, customer lists, goodwill, and all licenses, permits, agreements of any kinds and nature pursuant to which the Borrower possesses, uses, or has authority to possess or use property (whether tangible or intangible) of others, or others posses, use or have authority to possess or use property (whether tangible or intangible) of the Borrower, and all recorded data of any kind or nature, regardless of the medium of recording, including, without limitation, all software, writings, plans, specifications and schematics; *provided, however,* that gifts, grants, bequests, donations and contributions heretofore or hereafter made and designated or specified by the granting authority, donor or maker thereof as being for specified purposes (other than payment of debt service on indebtedness) and the income derived therefrom to the extent required by such designation or specification shall be excluded from Business Assets; and *provided further,* that, so long as no Event of Default shall have occurred and be continuing, the Business Assets shall not include cash, cash equivalents, investment securities or endowment funds on hand from time to time with the Borrower.

"Principal" means the portion of any Debt Service Payment designated as and comprising principal as set forth in Exhibit A hereto.

"Project" means (i) the refinancing of the projects associated with the 2007 Bonds, namely: (a) construction of a new campus connector road, (b) major renovation and/or construction of the hospital pharmacy, (c) purchase of major moveable and imaging equipment and furniture and fixtures, and (d) building renovations, including a major upgrade to electrical systems and other mechanical upgrades; (ii) the refinancing of the projects associated with the 2009 Bonds, namely: (a) a new emergency room, (b) operating room expansion, (c) construction and renovation of a clinic space and (d) renovations to the obstetrical unit and (iii) the payment of related costs and expenses, including issuance expenses.

"Project Costs" means the costs of issuing the Bonds which may be paid from Bond Proceeds under the Act. Project Costs also shall be limited to costs which are permitted to be paid or reimbursed from Bond Proceeds under the Tax Certificate.

"Property" means, collectively, the Real Property, the Personal Property and the Project as defined herein.

"Purchaser" means (i) TD Bank, N. A., as purchaser and initial registered owner of the Bonds, and (ii) any successor registered owner of the Bonds.

"Real Property" means (i) the real estate located in Peterborough, Hillsborough County, New Hampshire, as more particularly described in the Mortgage executed on even date herewith, all rights and easements appurtenant thereto, and all buildings, structures, fixtures and improvements now or hereafter located thereon, and (ii) all proceeds of the foregoing, including proceeds of insurance, eminent domain or sale.

"Refunded Bonds" shall mean the 2007 Bonds and the 2009 Bonds.

"Short-Term Indebtedness" shall mean all Indebtedness, other than Long-Term Indebtedness, for any of the following:

(i) Payments of principal and interest with respect to 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) Payments under 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) Payments under installment purchase contracts having an original term of one year or less.

"State" means the State of New Hampshire.

"Tax Certificate" means, collectively, the Borrower's Tax Certificate and Certificate as to Arbitrage, both of even date herewith.

"Tax-Exempt Rate" initially means a variable rate of interest equal to the sum of (1) the One-Month LIBOR plus 1.75 multiplied by seventy-five percent (75%).

"Temporarily Restricted Fund Balances" shall mean cash and cash equivalents that have been set aside in a restricted fund(s) for use during the twelve months next succeeding the date that such fund(s) was established.

"2007 Bonds" shall mean the Business Finance Authority of the State of New Hampshire Variable Rate Demand Revenue Bonds (Monadnock Community Hospital Issue), Series 2007.

"2009 Bonds" shall mean the Business Finance Authority of the State of New Hampshire Revenue Bond, The Monadnock Community Hospital Issue (2009).

"UCC" means the Uniform Commercial Code as adopted and in effect in the State.

"Unassigned Rights" means the rights of the Issuer and its directors, officers, employees and agents to payments and rights of indemnification under Sections 4.06, 7.03, 7.06(d) and 13.03; the right to give and receive notices, consents and approvals; and the right to enforce the same.

"Unmatured Event of Default" means any occurrence, act or event that, with the giving of notice, the passage of time or both, would constitute and Event of Default.

"Unrestricted Cash and Investments" shall mean unrestricted cash and unrestricted cash equivalents plus unrestricted marketable securities. In calculating cash, there shall be included balances in demand accounts and checking accounts (net of outstanding drafts) and investments in marketable securities (other than (i) securities in funds held by a bond trustee and (ii) gifts, grants or bequests which by their terms may not lawfully be used to pay the Borrowers' operating expenses or debt service) which are free and clear of liens or claims of third parties (other than any right of set-off). Marketable securities shall be valued at market value as of the date of determination. Unrestricted marketable securities shall include investments designated by the Borrower's Board of Directors that may, upon resolution of said Board of Directors, be released for general operations.

"Unrestricted Net Assets" shall mean assets that bear no restrictions as to use by parties unaffiliated with Borrower during the next twelve months.

Section 1.02. Rules of Construction. (a) The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders.

(b) Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and other subdivision of this Agreement as originally executed. The words "hereof," "wherein," "hereunder" and words of similar import refer to this Agreement as a whole.

(c) The headings or titles of the several articles and sections shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

(d) Combined Documents. This Agreement and the exhibits hereto together constitute the financing document and the security document under the Act, and as evidence of indebtedness, this Agreement and the exhibits hereto constitute a Bond under the Act.

ARTICLE II

ISSUANCE OF THE BONDS AND TERMS OF LOAN

Section 2.02. Bond Purchase and Issuance; Loan to the Borrower; Application of Loan Proceeds. The Issuer hereby agrees, subject to the terms and conditions of this Agreement, to issue the Bonds in the amount of $_________ on the Closing Date. The Purchaser hereby agrees, subject to the terms and conditions of this Agreement, to tender $________ to the Issuer to purchase the Bonds on the Closing Date. The Issuer hereby agrees, subject to the terms and conditions of this Agreement, to lend the Bond Proceeds to the Borrower on the Closing Date. The Issuer assigns and pledges to the Purchaser its rights as set forth in Section 2.04 herein, on the Closing Date. The Borrower hereby agrees to borrow such amount from the Issuer on the Closing Date and to make payments to the Purchaser in accordance with the terms and conditions of this Agreement.

Upon fulfillment of the conditions set forth in Article III hereof, the Purchaser shall deposit the Bond Proceeds on behalf of the Issuer as follows:

(i) the amount of [$___________] shall be deposited with Peoples United Bank as successor trustee for the 2007 Bonds;

(ii) the amount of $17,834,651.33 shall be deposited with Peoples United Bank as trustee for the 2009 Bonds;

(iii) any remaining amounts shall be deposited in the Expense Fund to be held and disbursed as provided in this Agreement .

The Borrower's obligation to make Debt Service Payments, which the Issuer hereby is assigning to the Purchaser and which shall be the sole source of interest and principal payments on the Bonds shall commence, and Interest shall begin to accrue, on the date on which the Bonds are issued, as set forth on the Bonds as issued.

Neither the Purchaser nor the Issuer shall have any ownership interest in the Property after the Closing Date and by this Agreement each is merely refinancing the acquisition, construction and site development thereof by the Borrower. The Issuer has not been in the chain of title of the Property, the Purchaser and the Issuer shall not operate, control or have possession of the Property and the Purchaser and the Issuer have no control over the Borrower or the Borrower's operation, use or maintenance of the

Property. The Borrower is solely responsible for the selection of the Property, and is solely responsible for the use, maintenance and operation of the Property. The Borrower will indemnify, defend and hold the Purchaser and the Issuer and their respective directors, officers, employees and agents (each, an "Indemnified Person") harmless from and against any claims, loss or damage, including reasonable attorneys' fees, to which an Indemnified Person may be subjected as a result of the designation of any Indemnified Person as the owner of the Property solely by virtue of the Loan, the Bonds or any transaction contemplated pursuant to this Agreement. This indemnification shall survive the payment in full of the Bonds and the Loan.

By executing this Agreement, the Borrower irrevocably covenants to pay and shall pay to the Purchaser, as assignee of the Issuer, all Debt Service Payments, including each and every payment due with respect to the Bonds and any other payment due from the Borrower hereunder, other than payments due directly to the Issuer with respect to any Unassigned Rights, which the Borrower hereby irrevocably covenants to pay and shall pay to the Issuer.

Section 2.03. Interest. (a) The principal portion of the Bonds outstanding from time to time shall bear interest (computed on the basis of actual days elapsed in a 365/366-day year) at the Tax-Exempt Rate. Interest accruing on such principal balance outstanding from time to time shall be payable as provided in the Bonds, as set forth on Exhibit C and upon earlier demand in accordance with the terms hereof and the Bonds.

(b) Upon the occurrence of a Determination of Taxability, the Borrower shall, with respect to future interest payments, begin making Debt-Service Payments (and the Bond Payments will be made) with the interest component calculated to equal the sum of the Tax-Exempt Rate and the Gross-Up Rate. In addition, whether or not the Determination of Taxability occurs before or after the Bonds and the Loan are paid in full, the Borrower shall make immediately upon demand of the Purchaser a payment to the Purchaser sufficient to pay the difference between all prior Debt-Service Payments and related Bond Payments at the Tax-Exempt Rate and the Gross-Up Rate from the Date of Taxability to the date of the Determination of Taxability.

Section 2.04. Payments. The Borrower shall pay to the Purchaser principal, premium, if any, and Interest ("Bond Payments"), on the Bonds in such amounts and on such dates as the Borrower shall be required to pay the Debt Service Payments, as and when due under this Agreement, but only from the amounts paid by the Borrower pursuant to this Agreement. The Borrower hereby agrees to pay the Debt Service Payments and shall pay to the Purchaser, as assignee of the Issuer, the Debt Service Payments in the amounts and on the dates set forth on Exhibit A hereto and in the Bonds or in accordance with Sections 2.03, 2.07 or 13.03 of this Agreement. As security for its obligation to pay principal, premium, if any, and any and all interest in accordance with the terms of this Agreement, the Issuer assigns to and pledges to the Purchaser all of the Issuer's right to receive Debt Service Payments from the Borrower hereunder, all of the Issuer's rights hereunder to amounts in the Expense Fund, and with the exception of the Unassigned Rights and all of the Issuer's right, title and interest in and to the Property, and the Issuer irrevocably constitutes and appoints the Purchaser and any present or future officer or agent of the Purchaser as its lawful attorney, with full power of substitution and resubstitution, and in the name of the Issuer or otherwise, to collect the Debt Service Payments and any other payments due hereunder except Unassigned Rights and to sue in any court for such Debt Service Payments or other payments due hereunder, except with respect to Unassigned Rights, to exercise all rights hereunder except Unassigned Rights with respect to the Property, and to withdraw or settle any claims, suits or proceedings pertaining to or arising out of this Agreement except Unassigned Rights upon any terms. The Purchaser and the Borrower agree to such assignment. The Issuer hereby directs the Borrower, and the Borrower hereby agrees, to pay to the Purchaser, as assignee of the Issuer, Debt Service Payments, which payments, upon receipt by the Purchaser shall constitute Bond Payments, in the amounts and on the dates set forth in Exhibit A hereto and on the Bonds or in accordance with Sections 2.03, 2.07 or 13.03 and other payments due hereunder or pursuant to the Bonds, except with respect to Unassigned Rights, shall be made by the Borrower directly to the Purchaser, as the Issuer's assignee, and all Debt Service Payments shall be credited against the Issuer's Bond Payments and any other payment obligations hereunder.

No provision, covenant or agreement contained in this Agreement or any obligation herein imposed on the Issuer, or the breach thereof, shall constitute or give rise to or impose upon the Issuer any pecuniary liability or a charge upon the general credit or taxing powers of the State or any political subdivision thereof. The Issuer has no taxing powers. In making the agreements, provisions and covenants set forth in this Agreement, the Issuer has not obligated itself except with respect to the Property as and to the extent provided in this Agreement, and the application of the Debt Service Payments to be paid by the Borrower hereunder, as and to the extent provided in this Agreement.

All amounts required to be paid hereunder shall be paid in lawful money of the United States of America in immediately available funds. No recourse shall be had by the Purchaser or the Borrower for any claim based on this Agreement against the Issuer, the State or any director, officer, employee or agent of the Issuer or of the State alleging personal liability on the part of such person, unless such claim is based on the willful dishonesty of or intentional violation of law by such person.

Section 2.05. Payment on Non-Business Days. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or the fees hereunder, as the case may be.

Section 2.06. Debt Service Payments To Be Unconditional. The obligations of the Borrower to make the Debt Service Payments required under this Article II and to make other payments hereunder and to perform and observe the covenants and agreements contained herein shall be absolute and unconditional in all events, without abatement, diminution, deduction, setoff or defense for any reason, including (without limitation) any accident, condemnation, destruction or unforeseen circumstances.

Notwithstanding any dispute between the Borrower and any of the Issuer, the Purchaser or any other person, the Borrower shall make all Debt Service Payments when due and shall not withhold any Debt-Service Payments pending final resolution of such dispute, nor shall the Borrower assert any right of set-off or counterclaim against its obligation to make such payments required under this Agreement, each of which rights is hereby affirmatively waived by the Borrower.

Section 2.07. Prepayments.

(a) The Borrower shall prepay the Bonds in full immediately upon demand of the Purchaser after the tenth (10^{th}) anniversary of the issuance of the Bonds.

(b) The Borrower shall prepay the Bonds in full immediately upon demand of the Purchaser after the occurrence of an Event of Default, which is not cured within any applicable grace or cure period, by paying the applicable Prepayment Amount and all other amounts due hereunder.

(c) The Borrower shall prepay the Bond in full immediately upon demand of the Purchaser after the occurrence of a Determination of Taxability by paying the applicable Prepayment Amount and all other amounts due hereunder plus an amount necessary to supplement the prior Debt-Service Payments to the Gross-Up Rate.

(d) Upon any prepayment in part of the Bond, the prepayment shall be applied to the Debt Service Payments and any other amounts due hereunder.

(e) Notice of Prepayment. The Borrower shall give the Purchaser written notice of any prepayment in whole or in part at least thirty (30) days before the prepayment date specifying the date and amount of prepayment and the amount of accrued interest and premium, if any. If less than all the principal of the Bonds are to be prepaid on any date, the installments of principal shall be prepaid in chronological order. Upon any subsequent transfer or exchange of a Bond upon which a prepayment is made, the Issuer will make an appropriate notation on the Bond showing the prepaid installment or installments.

Section 2.08. Expense Fund.

(a) Establishment and Purpose. An Expense Fund is hereby established with the Disbursing Agent for the account of the Borrower (the "Expense Fund"). Immediately after the sale of the Bonds and the deposits with the trustees for the respective series of Refunded Bonds pursuant to Sections 2.02(i) and 2.02(ii) hereof, the remaining proceeds shall be deposited in the Expense Fund. The moneys in the Expense Fund shall be held in trust and, except as otherwise provided in this agreement, shall be applied by the Disbursing Agent solely to the payment or reimbursement of Project Costs in accordance with Section 9.01.

(b) Excess in Expense Fund. All moneys in the Expense Fund (including moneys earned thereon by investment) remaining after payment or provision for payment in full of the costs referred to in this Section 2.08 which are then due and payable shall promptly at the written direction of a Borrower's Representative be applied to the next Debt Service Payment.

Section 2.10. Investment of Moneys in Fund. Pending their use under this Agreement, moneys in the Expense Fund shall be held uninvested by the Disbursing Agent.

Section 2.11. Tax-Exempt Status of Bonds. The Borrower will perform its obligations and agreements contained in the Tax Certificate as if they were set forth herein. The Issuer will cooperate with the Bondowner to the extent deemed necessary or permitted by law in the opinion of bond counsel to the Issuer in order to preserve the exclusion of interest on the Bond from gross income for federal income tax purposes.

ARTICLE III

CONDITIONS PRECEDENT

The Purchaser's agreement to purchase the Bonds from the Issuer hereunder and to disburse the Bond Proceeds as provided herein shall be subject to the condition precedent that the Purchaser shall have received all of the following, each in form and substance satisfactory to the Purchaser. The Issuer's agreement to accept the Bond Proceeds and to make the Loan to the Borrower hereunder and the Purchaser's agreement to deliver the Bond Proceeds to the Borrower, shall be subject to the condition precedent that the Purchaser and the Issuer shall have received all of the following, each in form and substance satisfactory to the Purchaser and the Issuer:

(a) This Agreement, properly executed on behalf of the Issuer, the Borrower and the Purchaser, and each of the Exhibits hereto properly completed.

(b) A Bond properly issued to the Purchaser as registered owner thereof, in the principal face amount of $__________ and duly executed by the Issuer, dated the Closing Date.

(c) A certificate of the Secretary or an Assistant Secretary of the Borrower, certifying as to (i) the resolutions of the board of directors and, if required, the members of the Borrower, authorizing the execution, delivery and performance of this Agreement and the Tax Certificate and any related documents, (ii) the bylaws of the Borrower, and (iii) the signatures of the officers or agents of the Borrower authorized to execute and deliver this Agreement and the Tax Certificate and other instruments, agreements and certificates on behalf of the Borrower.

(d) Currently certified copies of the Articles of Association of the Borrower.

(e) A Certificate of Good Standing issued as to the Borrower by the Secretary of the State of the state of the Borrower's incorporation, not more than thirty (30) days prior to the date hereof.

(f) Certificates of the insurance required hereunder, approved by the Purchaser, containing a lender's loss payable clause or endorsement in favor of the Purchaser.

(g) A completed and executed Form 8038 or evidence of filing thereof with the Secretary of Treasury.

(h) A resolution or evidence of other official action taken by or on behalf of the Issuer to authorize the transactions contemplated hereby.

(i) As applicable, financing statements executed by the Borrower, as debtor, and naming the Purchaser, as secured party, and/or the original certificate of title or manufacturer's certificate of origin and title application, if any, of the Personal Property as subject to certificate of title laws.

(j) Current searches of appropriate filing offices showing that (i) no state or federal tax liens have been filed and remain in effect against the Borrower, (ii) no mortgage or financing statements have been filed and remain in effect against the Borrower relating to the Property except those mortgage or financing statements filed by the Borrower and the security interests set forth on Exhibit B attached hereto (the "Permitted Liens"), (iii) the Borrower has duly filed all mortgage deeds and financing statements necessary to perfect the security interests and mortgage liens on the Property created pursuant to this Agreement and (iv) the Borrower has duly filed all financing statements necessary to perfect the transfer of the Issuer's interest in this Agreement and the Debt-Service Payments.

(k) An opinion of Institution Counsel, addressed to the Purchaser, and the Issuer, in a form acceptable to the Purchaser.

(l) An opinion of Hospital Counsel, addressed to the Purchaser, and the Issuer, in a form acceptable to the Purchaser and the Issuer.

(m) An opinion of Bond Counsel, addressed to the Issuer, together with a reliance letter addressed to the Purchaser.

(n) The Issuer's Tax Certificate.

(o) The Tax Certificate.

(p) Payment of the Purchaser's fees, commissions and expenses required by Section 14.01 hereof.

(q) Payment of the Issuer's fees, commissions and expenses required by Section 4.03 hereof.

(r) The Mortgage concerning the Real Property, properly executed on behalf of the Borrower and the Purchaser.

(s) Certifications from an appropriate officer of the Borrower that the representations and warranties of the Borrower contained in Article V hereof are correct on and as of the date of the Bonds and the Loan as though made on and as of such date.

(t) Certifications from an appropriate officer of the Borrower that no event has occurred and is continuing, or would result from the Bonds or the Loan, which constitutes a Default or an Event of Default.

(u) A resolution of the Governor and Council of New Hampshire making the findings required by the Act.

(v) A copy of all licenses and permits pertaining to the Borrower and its business operations and the Project.

(w) The Borrower shall have established and shall maintain its primary deposit relationship with the Disbursing Agent.

(x) Evidence that the Property and the use thereof comply with all laws, ordinances, rules and regulations of all governmental authorities having jurisdiction over the same including, but not limited to, all zoning, subdivision and environmental protection laws, ordinances and regulations and acceptable evidence submitted to the Purchaser that all required approvals and consents have been validly and irrevocably granted without qualifications and that there are no actions or proceedings pending or threatened before any court or administrative agency or governmental body at the time of Closing relating to the proposed or actual use of the Property. All rights to appeal from any decision or determination must have expired prior to the date of Closing.

(y) The Purchaser shall receive an assignment of Contracts, Subcontracts, Licenses, Permits, Agreements, Warranties and Approvals.

(z) Such policies and amounts of hazard insurance (specifying all-risks or extended coverage and containing a builders' risk completed value endorsement), rental value insurance, flood insurance (if the Property or any part thereof is in an area that has been identified as an area having special flood hazards), liability insurance, workmen's' compensation insurance, and such other insurance as the Purchaser may request.

(aa) A full title search on the Property.

(bb) A receipt and certificate from Peoples United Bank regarding the refunding of the Refunded Bonds.

(cc) Any other documents or items required by the Purchaser, the Issuer or Bond Counsel.

ARTICLE IV

LIMITED OBLIGATION OF THE ISSUER; RIGHTS OF THE ISSUER; COVENANTS OF THE ISSUER

Section 4.01. Limited Obligation. Under no circumstances shall the Issuer be obligated directly or indirectly to pay Project Costs, principal of or premium, if any, and interest on the Bonds or the Loan, or expenses of operation, maintenance and upkeep of the Property except from Bond Proceeds, exclusive of funds received hereunder by the Issuer for its own use. This Agreement does not create any debt of the State with respect to the Property other than a special obligation of the Issuer acting on behalf of the State pursuant to the Act. Nothing contained herein shall in any way obligate the State to raise any money by taxation or use other public funds for any purpose in relation to the Property. Neither the State nor the Issuer shall pay or promise to pay any debt or meet any financial obligation to any Person at any time in relation to the Property except (i) from moneys received or to be received under the provisions hereof or derived from the exercise of the Issuer's right hereunder, other than moneys received for its own purposes, or (ii) as may be required by law other than the provisions of the Act. Nothing contained in this Agreement shall be construed to require or authorize the Issuer to use or operate the Property or to conduct any business enterprise in connection therewith. The Issuer makes no representation or warranty that interest on the Bonds is or will continue to be excludable from gross income for federal income tax purposes or exempt for state income tax purposes.

Section 4.02. Rights and Duties of the Issuer.

(a) Remedies of the Issuer. Notwithstanding any contrary provision in this Agreement, the Issuer shall have the right to take any action or make any decision with respect to proceedings for indemnity against the liability of the Issuer and for collection or reimbursement from sources other than moneys or property held under this Agreement or subject to the lien hereof. The Issuer may enforce its rights under this Agreement which have not been assigned to the Purchaser by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other appropriate legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under this Agreement, including court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

(b) Limitations on Actions. The Issuer shall not be required to monitor the financial condition of the Borrower or the physical condition of the Property and, unless otherwise expressly provided, shall not have any responsibility with respect to notices, certificates or other documents filed with it hereunder. The Issuer shall not be required to take notice of any breach or default except when given notice thereof by the Borrower. The Issuer shall not be responsible for the payment of any rebate to the United States under IRC § 148(f). The Issuer shall not be required to take any action unless indemnity reasonably satisfactory to it is furnished for expenses or liability to be incurred therein (other than the giving of notice). The Issuer, upon written request of the Purchaser, and upon receipt of reasonable indemnity for expenses or liability, shall cooperate to the extent reasonably necessary to enable the Purchaser to exercise any power granted to the Purchaser by this Agreement. The Issuer shall be entitled to reimbursement pursuant to Section 4.03 to the extent that it acts without previously obtaining full indemnity.

(c) Responsibility. The Issuer shall be entitled to the advice of counsel (who may be counsel for any party) and shall be wholly protected as to any action taken or omitted to be taken or other document furnished to it under this Agreement and reasonably believed by it to be genuine. The Issuer shall not be liable for any action taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or in good faith omitted to be taken by it and reasonably believed to be beyond such discretion or power, or taken by it pursuant to any direction or instruction by which it is governed under this Agreement or omitted to be taken by it by reason of the lack of direction or instruction required for such action under this Agreement, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment, consent or other action by the Issuer is called for by this Agreement, the Issuer may defer such action pending such investigation or inquiry or receipt of such evidence, if any, as it may require in support thereof. A permissive right or power to act shall not be construed as a requirement to act, and no delay in the exercise of a right or power shall affect the subsequent exercise thereof. The Issuer shall in no event be liable for the application or misapplication of funds, or for other acts or defaults by any person or entity except by its own directors, officers and employees. No recourse shall be had by the Borrower or the Purchaser for any claim based on this Agreement against any director, officer, employee or agent of the Issuer unless such claim is based upon the bad faith, fraud or deceit of such person. No covenant, obligation or agreement of the Issuer contained in this Agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, employee or agent of the Issuer in his individual capacity, and no person executing this Agreement shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 4.03. Costs and Expenses of the Issuer. The Borrower shall pay when due the Issuer's Service Charge and shall prepay or reimburse the Issuer within thirty (30) days after notice for all expenses (including reasonable attorney's fees) incurred by the Issuer in connection with the execution, delivery, performance and enforcement under this Agreement and all expenses reasonably incurred or advances reasonably made in the exercise of the Issuer's rights or its performance of its obligations hereunder (collectively, the "Additional Payments"). Any fees, expenses, reimbursements or other charges which the Issuer may be entitled to receive from the Borrower hereunder, if not paid within thirty (30) days of when they are due, shall bear a late charge equal to 5% of the amount overdue, and if not paid within sixty (60) days, shall bear interest at 12% per annum; such late charges shall be in addition to any late charges due to the Purchaser hereunder.

Section 4.04. Matters to be Considered by the Issuer. In approving, concurring in or consenting to action or in exercising any discretion or in making any determination under this Agreement, the Issuer may consider the interests of the public, which shall include the anticipated effect of any transaction on tax revenues and employment, as well as the interests of the other parties hereto; provided, however, nothing herein shall be construed as conferring on any person other than the other parties any right to notice, hearing or participation in the Issuer's consideration, and nothing in this section shall be construed as conferring on any of them any right additional to those conferred elsewhere herein. Subject to the foregoing, the Issuer will not unreasonably withhold any approval or consent to be given by it hereunder.

Section 4.05. Actions by the Issuer. Any action which may be taken by the Issuer hereunder shall be deemed sufficiently taken if taken on its behalf by its Chairman, its Vice Chairman or its Executive Director or by any other director, officer or agent whom it may designate from time to time.

Section 4.06. Indemnification by the Borrower. The Borrower, regardless of any agreement to maintain insurance, shall indemnify and save harmless, to the fullest extent permitted by law, the Issuer and its directors, officers, employees and agents from and against (a) any and all claims by or on behalf of any person arising out of (1) any condition of the Property, or (2) the acquisition, or operation of the Property or any work or anything whatsoever done or omitted to be done on or about the Property, or (3) any accident, injury or damage whatsoever to any person occurring on or about the Property, or (4) any breach or default by the Borrower of or in any of its obligations hereunder, or (5) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees, or (6) the offering, issuance, sale or any resale of this Agreement or the Loan, but only to the extent permitted by law, and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Issuer or any such director, officer, employee or agent by reason of any such claim, the Borrower upon notice from the affected party shall resist or defend such action or proceeding. Subject to the foregoing, the Issuer shall cooperate and join with the Borrower, at the expense of the Borrower, as may be required in connection with any action or defense by the Borrower.

Section 4.07. Covenants of the Issuer.

The Issuer covenants for the benefit of the Purchaser, as follows:

(a) The Issuer will not pledge, mortgage or assign this Agreement (except for the pledge, mortgage or assignment of rights or privileges not assigned to the Purchaser) or its duties and obligations hereunder to any person, firm or corporation, except as provided under the terms hereof.

(b) The Issuer will submit or cause to be submitted to the IRS an IRS Form 8038 Information Return for Tax-Exempt Private Activity Bond Issues (or other information reporting statement) at the time and in the form required by the Code.

ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BORROWER

The Borrower represents, warrants and covenants for the benefit of the Purchaser and the Issuer, as follows:

(a) The Monadnock Community Hospital is a nonprofit voluntary corporation duly organized, validly existing and in good standing under the laws of the State, has power to enter into this Agreement and by proper corporate action has duly authorized the execution and delivery of this Agreement and the Tax Certificate. The Borrower is in good standing and is duly licensed or qualified to transact business in the State and in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary.

(b) The Borrower has been fully authorized to execute and deliver this Agreement, and the Tax Certificate under the terms and provisions of the resolution of its boards of directors, or by other appropriate official approval, and further represent, covenant and warrant that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this Agreement and the Tax Certificate, and this Agreement and the Tax Certificate have been duly authorized, executed and delivered.

(c) The officer of the Borrower executing this Agreement and the Tax Certificate and any related documents has been duly authorized to execute and deliver this Agreement, and the Tax Certificate and such related documents under the terms and provisions of a resolution of the Borrower's board of directors.

(d) This Agreement and the Tax Certificate constitute valid and legally binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except to the extent limited by bankruptcy, reorganization or other laws of general application relating to effecting the enforcement of creditors rights.

(e) The execution and delivery of this Agreement, and the Tax Certificate, the consummation of the transactions contemplated hereby and the fulfillment of the terms and conditions hereof do not and will not violate any law, rule, regulation or order, conflict with or result in a breach of any of the terms or conditions of the articles of agreement or bylaws of the Borrower or of any corporate restriction or of any agreement or instrument to which the Borrower is now a party and do not and will not constitute a default under any of the foregoing or result in the creation or imposition of any liens, charges or encumbrances of any nature upon any of the property or assets of the Borrower contrary to the terms of any instrument or agreement.

(f) The authorization, execution, delivery and performance of this Agreement by the Borrower does not require submission to, approval of, or other action by any governmental authority or agency, which action with respect to this Agreement has not been taken and which is final and non-appealable.

(g) There is no action, suit, proceeding, claim, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending or, to the best of the Borrower's knowledge, threatened against or affecting the Borrower, challenging the Borrower's authority to enter into this Agreement, or to execute and deliver the Tax Certificate or any other action wherein an unfavorable ruling or finding would adversely affect the enforceability of this Agreement, or the Tax Certificate or the exclusion of the Interest from gross income for federal tax purposes under the Code, or would materially and adversely affect any of the transactions contemplated by this Agreement.

(h) The Property is properly zoned for its current and anticipated use and the use of the Property will not violate any applicable zoning, land use, environmental or similar law or restriction. The Borrower has all licenses and permits to use the Property and to construct any improvements contemplated to be constructed thereon. The Borrower has obtained all permits, licenses and other authorizations which are required under federal, state and local laws relating to emissions, discharges, releases of pollutants, contaminants, hazardous or toxic materials, or wastes into ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes ("Environmental Laws") at the Borrower's facilities or in connection with the operation of its facilities. Except as previously disclosed to the Purchaser in writing, the Borrower and all activities of the Borrower at its facilities comply with all Environmental Laws and with all terms and conditions of any required permits, licenses and authorizations applicable to the Borrower with respect thereto. Except as previously disclosed to the Purchaser in writing, the Borrower is also in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in Environmental Laws or contained in any plan, order, decree, judgment or notice of which the Borrower is aware. Except as previously disclosed to the Purchaser in writing, the Borrower is not aware of, nor has the Borrower received notice of, any events, conditions, circumstances, activities, practices, incidents, actions or plans which may interfere with or prevent continued compliance with, or which may give rise to any liability under, any Environmental Laws.

(i) To the Borrower's knowledge, the Property is of the type authorized and permitted to be financed under the Act.

(j) The Borrower intends to use the Property, or cause the Property to be used, as a "project," within the meaning of the Act, until the date on which the Bonds have been paid in full and are no longer outstanding and all of the Debt Service Payments have been fully paid.

(m) All financial and other information provided to the Purchaser by or on behalf of the Borrower in connection with the Borrower's request for the Loan contemplated hereby is true and correct in all material respects and, as to projections, valuations or pro forma financial statements, present a good faith opinion as to such projections, valuations and pro forma condition and results.

(n) The Borrower has provided to the Purchaser financing statements in the appropriate form for due filing as a financing statement with the office of the New Hampshire Secretary of State, (the "Filing Office") pursuant to the New Hampshire Uniform Commercial Code. The filing of the Financing Statement in the office of the Filing Office will perfect a security interest in the Personal Property with respect to (i) those items of personal property in which a security interest may be perfected by filing in the Filing Office and (ii) those items of personal property delivered to the Borrower. When such financing statements are filed in the offices noted therein and to the extent the Borrower has rights in the Personal Property, the Purchaser, as assignee of the Issuer, will have a valid and perfected security interest in the Personal Property and, pursuant to the Mortgage, in the Real Property, subject to no other mortgage, security interest, assignment, lien or encumbrance (other than Permitted Liens).

(o) The representations contained in the Tax Certificate are true and correct as of the date hereof. The Borrower will comply fully at all times with the Tax Certificate, and the Borrower will not take any action, or omit to take any action, which, if taken or omitted, respectively, would violate the Tax Certificate.

(p) No part of the Bond Proceeds will be used to finance inventory or rolling stock or will be used for working.

(q) To the best knowledge of the Borrower, the Property is of the character subject to the allowance for depreciation under Section 167 of the Code; the Borrower has verified the representation contained in this subsection (q) with a duly qualified, independent, certified public accountant and, based on that consultation and on other facts known to the Borrower, the Borrower has no reason to believe that the Property is *not* property of the character subject to the allowance for depreciation under Section 167 of the Code.

(r) No person other than the Borrower is in occupancy or possession of any portion of the Real Property except as set forth in the Permitted Liens.

(s) All approvals of and authorization or other action by any federal or state governmental authority that, to the best knowledge of the Borrower, are required to be obtained by the Borrower in connection with the execution, delivery or performance of this Agreement or the transactions contemplated thereby, have been obtained.

ARTICLE VI

TITLE TO PROPERTY; MORTGAGE AND SECURITY INTEREST

Section 6.01. Title to the Property. The Borrower has legal title to the Property. The Borrower will at all times protect and defend, at its own cost and expense, its title from and against all claims, liens and legal processes of creditors of the Borrower, and keep all Property free and clear of all such claims, liens and processes except for the Permitted Liens.

Section 6.02. Security Interest in Personal Property. This Agreement is intended to constitute a security agreement within the meaning of the UCC. As security for the Borrower's payment to the Purchaser, as assignee of the Issuer, of Debt Service Payments and all other amounts payable to the Purchaser hereunder or under any other document or agreement related to the Loan or the Bonds, the Borrower hereby grants to the Purchaser, a security interest and lien on all its Gross Receipts and Personal Property. The security interest in the Gross Receipts and Personal Property, including all repairs, replacements, substitutions and modifications thereto or thereof and all proceeds of the foregoing, constitutes the only lien on the Gross Receipts and Personal Property, with the exception of the Permitted Liens. The Issuer and the Borrower agree to execute such additional documents, including financing statements, assignments, affidavits, notices and similar instruments, in form satisfactory to the Purchaser, and take such other actions that the Purchaser deems necessary or appropriate to establish, maintain and terminate, as the case may be, the security interests created by this Section. If requested by the Purchaser, the Borrower shall conspicuously mark the Personal Property with appropriate lettering, labels or tags, and maintain such markings, so as clearly to disclose the Purchaser's security interest in the Personal Property.

Section 6.03 Further Assurance. The Issuer and the Borrower agree to execute such additional documents, including financing statements, assignments, affidavits, notices and similar instruments, in form satisfactory to the Purchaser, and take such other actions that the Purchaser deems necessary or appropriate to establish, maintain and terminate, as the case may be, the security interests created by this Section.

Section 6.04. Change in Name, Corporate Structure or State of Organization of the Borrower; Change in Location of the Borrower's Principal Place of Business. The Borrower's chief executive office is located at the address set forth herein, and all of the Borrower's records relating to its business are kept at such location. The Borrower hereby agrees to provide written notice to the Purchaser and the Issuer of any change or proposed change in its name, corporate structure, state of organization, place of business or chief executive office or change or proposed change in the location of the Personal Property. Such notice shall be provided in writing 30 days in advance of the date that such change or proposed change is planned to take effect. The Borrower currently does business, and has done business, under the name(s) of Monadnock Health Services ,The Bond Wellness Center at Monadnock Community Hospital, Monadnock Pulmonary Associates, Monadnock Internists, Monadnock Family Care, New Ipswich Family

Medicine, Jaffrey Family Medicine, Peterborough Internal Medicine, Antrim Medical Group, Monadnock Behavioral Health, Monadnock Regional Pediatrics, Monadnock Surgical Associates, Rindge Family Practice and Monadnock Healthy Teeth.

Section 6.05. Liens and Encumbrances to Title. The Borrower shall not directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Property (together, "Liens") other than the respective rights of the Purchaser and the Issuer as herein provided and the Permitted Liens. The Borrower shall promptly, at its own expense, take such action as may be necessary duly to discharge or remove any such Lien except for the Permitted Liens.

Section 6.06. Personal Property. The parties hereby agree that the Personal Property is, and during the period this Agreement is in force will remain, personal property and, when subjected to use by the Borrower hereunder, will not be or become fixtures; provided, however, that if contrary to the parties' intent the Personal Property is or may be deemed to be a fixture, the Borrower shall cause filings to be made with the applicable government officials or filing offices to create and preserve for the Purchaser as assignee of the Issuer a perfected security interest in the Personal Property, subject to the Permitted Liens.

Section 6.07. Agreement as Financing Statement. To the extent permitted by applicable law, a carbon, photographic or other reproduction of this Agreement or of any financing statements authorized by the Borrower is sufficient as a financing statement in any state to perfect the security interests granted in this Agreement to the extent that the Borrower has rights in the Property.

ARTICLE VII

AFFIRMATIVE COVENANTS OF THE BORROWER

So long as the Loan and the Bonds shall remain unpaid, the Borrower will comply with the following requirements, unless the Purchaser shall otherwise consent in writing:

Section 7.01. Reporting Requirements. The Borrower will deliver, or cause to be delivered, to the Purchaser each of the following, which shall be in form and detail acceptable to the Purchaser:

(a) as soon as available, and in any event within one hundred twenty (120) days after the end of the fiscal year of the Borrower, audited financial statements of the Borrower prepared by independent certified public accountants selected by the Borrower and acceptable to the Purchaser, which annual financial statements shall include the balance sheet of the Borrower as at the end of such fiscal year and the related statements of income, net assets and cash flows of the Borrower for the fiscal year then ended, all in reasonable detail and prepared in accordance with generally accepted accounting principles applied on a basis consistent with the accounting practices applied in the financial statements referred to in Article V hereof, together with (i) a report of such accountants stating that in making the investigations necessary for its audit report they obtained no knowledge, except as specifically stated, of any Default or Event of Default hereunder and (ii) a certificate of the chief financial officer of the Borrower stating that such financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with the accounting practices reflected in the annual financial statements referred to in Article V hereof and that, to the best of such officer's knowledge, there has not occurred any Default or Event of Default hereunder; or if such a Default or Event of Default has occurred, stating in reasonable detail the facts with respect thereto;

(b) as soon as available, and in any event within forty-five (45) days after the end of each quarter, management prepared quarterly financial statements of the Borrower and its affiliates, including a balance sheet and an income statement;

(c) as soon as available, and in any event within forty-five (45) days after the end of each quarter, a fully executed compliance certificate, showing that the Borrower is in compliance with the covenants set forth in Section 7.08 below;

(d) promptly deliver upon receipt thereof, copies of any reports or management letters submitted to the Borrower by the Borrower's accountants in connection with any examination of the financial statements of the Borrower made by such accountants.

(e) as soon as available, and in any event within sixty (60) days after the end of the prior fiscal year, the Borrower will submit to the Purchaser, proposed operating and capital budgets for the then current fiscal year;

(f) within forty-five (45) days after the end of each fiscal quarter, the Borrower will submit to the Purchaser a summary of utilization statistics for the reporting period;

(g) as promptly as practicable (but in any event not later than ten (10) Business Days) after an officer of the Borrower obtains knowledge of the occurrence of any event that constitutes a Default or an Event of Default hereunder, notice of such occurrence, together with a detailed statement by a responsible officer of the Borrower of the steps being taken by the Borrower to cure the effect of such Default or Event of Default;

(h) promptly upon knowledge thereof, notice of any material loss or destruction of or damage to the Property or of any material adverse change in the Property;

(i) promptly after the amending thereof, copies of any and all material amendments to its certificate of incorporation, articles of association or bylaws; and

(j) promptly upon knowledge thereof, notice of any material violation by the Borrower of any law, rule or regulation.

(k) such other financial or statistical information or reports as the Purchaser may reasonably request.

Section 7.02. Books and Records; Inspection and Examination. The Borrower will keep accurate books of record and account for themselves pertaining to the Property and pertaining to the Borrower's business and financial condition and such other matters as the Purchaser may from time to time request in which true and complete entries will be made in accordance with generally accepted accounting principles consistently applied and, upon request of the Purchaser, will permit any officer, employee, attorney or accountant for the Purchaser to audit, review, make extracts from, or copy any and all corporate and financial books, records and properties of the Borrower at all times during ordinary business hours and following reasonable notice to the Borrower, and to discuss the affairs of the Borrower with any of its directors, officers, employees or agents. The Borrower will permit the Purchaser, or its employees, accountants, attorneys or agents, to examine and copy any or all of its records and to examine and inspect the Property at any time during the Borrower's business hours, following reasonable notice to the Borrower. Nothing in this section shall violate patient confidentiality laws and regulations.

Section 7.03. Compliance with Laws; Environmental Indemnity. The Borrower will (a) comply with the requirements of applicable laws and regulations, the non-compliance with which would materially and adversely affect its business or its financial condition, (b) comply with all applicable environmental, hazardous waste or substance, toxic substance and underground storage laws and regulations and obtain any permits, licenses or similar approvals required by any such laws or regulations, and (c) use the Property, and will require that others use the Property, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance. The Borrower shall secure all permits and licenses, if any, necessary for the use and operation of the Property. The Borrower shall comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations involving any component of the Property may extend and of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the items of the Property or its interest or rights under this Agreement. The Borrower will indemnify, defend and hold the Purchaser and the Issuer harmless from and against any claims, loss or damage to which the Purchaser or the Issuer may be subjected as a result of any past, present or future existence, use, handling, storage, transportation or disposal of any hazardous waste or substance or toxic substance by the Borrower on property owned, leased or controlled by the Borrower. This indemnification shall survive the termination of this Agreement and payment of the indebtedness hereunder.

Section 7.04. Payment of Taxes and Other Claims. The Borrower will pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon its income or profits, upon any properties belonging to it (including, without limitation, the Property or upon or against the creation, perfection or continuance of the security interest created pursuant to this Agreement, prior to the date on which penalties attach thereto, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien or charge upon any properties of the Borrower; provided, that the Borrower shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings. The Borrower will pay, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Property, as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Property; provided, that the Borrower shall not be required to pay any such tax, assessment or charge whose amount, applicability or validity is being contested in good faith by appropriate proceedings. Notwithstanding the foregoing, the Borrower shall be required to pay the tax, assessment or charge (even if it is being contested in good faith) if the applicable taxing authority exercises any right to seize or otherwise encumber the Property.

Section 7.05. Maintenance of Property. (a) The Borrower shall, at its own expense, maintain, preserve and keep the Property in good repair, working order and condition, and shall from time to time make all repairs and replacements necessary to keep the Property in such condition, and in compliance with state and federal laws, ordinary wear and tear excepted. In the event that any parts or accessories forming part of any item or items of Personal Property become worn out, lost, destroyed, damaged beyond repair or otherwise rendered unfit for use, the Borrower, at its own expense and expeditiously, will replace or cause the replacement of such parts or accessories by replacement parts or accessories free and clear of all liens and encumbrances and with a value and utility at least equal to that of the parts or accessories being replaced (assuming that such replaced parts and accessories were otherwise in good working order and repair). All such replacement parts and accessories shall be deemed to be incorporated immediately into and to constitute an integral portion of the Personal Property and, as such, shall be subject to the terms of this Agreement. Neither the Purchaser nor the Issuer shall have any responsibility in any of these matters, or for the making of improvements or additions to the Property.

(b) The Borrower will defend the Property against all claims or demands of all Persons (other than the Purchaser) claiming the Property or any interest therein.

(c) The Borrower will keep the Property free and clear of all mortgage, security interests, liens and encumbrances except the security interest created pursuant to this Agreement and the Permitted Liens.

Section 7.06. Insurance. (a) The Borrower shall, at its own expense, procure and maintain continuously in effect: (i) commercial general liability insurance for personal injuries, death or damage to or loss of property arising out of or in any way relating to the Property, with a coverage limit of not less than $1,000,000 per occurrence, (ii) insurance against such hazards as the Purchaser may reasonably require, including, but not limited to, all-risk casualty and property insurance, in an amount equal to the full replacement cost of the Property; and (iii) an umbrella policy in the amount of $5,000,000.

(b) If required by State law, the Borrower shall carry workers compensation insurance covering all employees on, in, near or about the Property, and upon request, shall furnish to the Purchaser certificates evidencing such coverage.

(c) All insurance policies required by this Article shall be taken out and maintained with responsible and reputable insurance companies authorized to transact business in the State, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least thirty (30) days before the cancellation or revision becomes effective. All insurance policies required by this Article shall not be subject to any co-insurance clause. Each insurance policy required by this Article shall name the Purchaser as an additional insured party, mortgagee and loss payee without regard to any breach of warranty or other act or omission of the Borrower and shall include a lender's loss payable endorsement for the benefit of the Purchaser and require twenty (20) days advance notice of cancellation, non-removal or any material change. Prior to the execution and delivery of this Agreement, the Borrower shall provide the Purchaser with evidence of such insurance and, prior to the expiration thereof, shall provide the Purchaser evidence of all renewals or replacements thereof.

(d) As among the Purchaser, the Borrower and the Issuer, the Borrower assumes all risks and liabilities from any cause whatsoever, whether or not covered by insurance, for loss or damage to any Property and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the Borrower or of third parties, and whether such property damage be to the Borrower's property or the property of others. Whether or not covered by insurance, the Borrower hereby assumes responsibility for and agree to reimburse the Purchaser and the Issuer for and will indemnify, defend and hold the Purchaser and the Issuer harmless from and against all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys fees) of whatsoever kind and nature, imposed on, incurred by or asserted against the Purchaser or the Issuer that in any way relate to or arise out of this Agreement, the transactions contemplated hereby and the Property, including but not limited to, (i) the selection, manufacture, purchase, acceptance or rejection of the Property or the ownership of the Property, (ii) the delivery, lease, possession, maintenance, use, condition, return or operation of the Property, (iii) the condition of the Property sold or otherwise disposed of after possession by the Borrower, (iv) any patent or copyright infringement, (v) the conduct of the Borrower, its officers, employees and agents, (vi) a breach of the Borrower of any of its covenants or obligations hereunder, and (vii) any claim, loss, cost or expense involving alleged damage to the environment relating to the Property, including, but not limited to, investigation, removal, cleanup and remedial costs. All amounts payable by the Borrower pursuant to the immediately preceding sentence shall be paid immediately upon demand of the Issuer or the Purchaser, as the case may be. This provision shall survive the termination of this Agreement.

Section 7.07. Preservation of Corporate Existence, Tax Exempt Status and Bank Qualified Status. The Borrower will preserve and maintain its corporate existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business; shall maintain its status as an organization exempt from taxation under Internal Revenue Code Section 501(c)(3); and shall conduct its business in an orderly, efficient and regular manner.

Section 7.08. Financial Covenants. The Borrower shall comply with the following obligations:

(a) Debt Service Coverage: The Borrower shall maintain a minimum rolling Debt Service Coverage Ratio of 1.50x. This ratio will be tested quarterly, commencing with receipt of the March 31, 2013 financial statements delivered pursuant to Section 7.01(b) of this Agreement.

(b) Days Cash on Hand: The Borrower shall maintain a minimum of 75 Days Cash on Hand. This ratio will be tested semi-annually commencing with receipt of the June 30, 2013 financial statements delivered pursuant to Section 7.01(b) of this Agreement.

(c) Debt to Capitalization: The Borrower shall maintain a maximum Debt to Capitalization Ratio of sixty percent (60%). This ratio will be tested semi-annually commencing with receipt of the June 30, 2013 financial statements delivered pursuant to Section 7.01(b) of this Agreement.

ARTICLE VIII

NEGATIVE COVENANTS OF THE BORROWER

The Borrower hereby covenants and agrees that from the date hereof until satisfaction in full of the Loan and the Bonds, it will not do any one or more of the following without first obtaining the written consent of the Purchaser:

Section 8.01. Liens and Additional Indebtedness.

(a) The Borrower will not create, incur or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, assignment or transfer upon or of any of the Property, except for (i) the mortgage and security interests created pursuant to this Agreement and the Mortgage, (ii) the assignment of Contracts, Subcontracts, Licenses, Permits, Agreements, Warranties and Approvals, (iii) the Permitted Liens, and (iv) liens arising in connection with workers' compensation, unemployment insurance, or social security obligations.

(b) The Borrower will not create, assume, guarantee, or otherwise become or remain directly or indirectly liable with respect to any additional Indebtedness other than (a) Indebtedness to the Purchaser; (b) Indebtedness obtained with the prior written consent of the Purchaser; (c) Indebtedness arising under this Agreement; and (d)

Indebtedness, capital leases or purchase money notes which does not exceed $750,000 in any one Fiscal Year, provided the same is made on an unsecured basis or secured only with the item being financed; provided, however, that the Purchaser hereby consents to additional Indebtedness or capital leases or other purchase money notes in excess of $750,000 in any Fiscal Year if (i) the Borrower gives the Purchaser fifteen (15) days prior written notice of the Borrower's intent to incur additional Indebtedness including the amount and terms of the same, and (ii) the Purchaser determines that (A) no Event of Default or Unmatured Event of Default has occurred or is existing under this Agreement, and (B) the Borrower is then in compliance with all of the financial covenants set forth in Section 7.08 hereof, and (C) the Borrower shall remain in compliance with all such financial covenants, including without limitation, the Debt Service Coverage Ratio set forth in Section 7.09(a) based upon the financial statements for the most recent fiscal year, when the proposed additional indebtedness of the Borrower is added to all of the Long-Term Indebtedness of the Borrower then outstanding.

Section 8.02. Sale or other Disposition of Assets. The Borrower will not sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets or the Real Property or any of the Personal Property or any interest therein (whether in one transaction or in a series of transactions) except that the Borrower may replace worn or obsolete Personal Property with property of equal or greater value and utility. The Borrower will not lease any of the Real Property having annual rental payments greater than $50,000, without the Purchaser 's consent, not to be unreasonably withheld or delayed.

Section 8.03. Consolidation and Merger. Except as expressly provided in this Section 8.03, the Borrower will not consolidate with or merge into any Person, or permit any other Person to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all the assets of any other Person.

Section 8.04. Accounting. The Borrower will not adopt, permit or consent to any material change in accounting principles other than as required by generally accepted accounting principles. The Borrower will not adopt, permit or consent to any change in its fiscal year, without the prior written consent of the Purchaser.

Section 8.05. Tax Exemption. The Borrower will not take any action or permit any action within its control to be taken that would cause any Interest to become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, intentional acts under Treas. Reg. § 1.148-2(c) or a deliberate action within the meaning of Treas. Reg. § 1.141-2(d)(3)), and the Borrower will take and will cause its officers, employees and agents to take all affirmative actions legally within its power necessary to ensure that such Interest does not become includable in gross income of the recipient for federal income tax purposes under the Code (including, without limitation, the calculation and payment of any rebate required to preserve such exclusion).

ARTICLE IX

PAYMENT OF COSTS OF ISSUANCE

Section 9.01. Costs of Issuance. The Borrower will pay (subject, however, to the limitations set forth in the Tax Certificate) from the Expense Account established under Section 2.08 via requisition from the Borrower the costs of issuing the Bonds including the fees and expenses of bond counsel, the Issuer, the Purchaser, Borrower's counsel and advisors and any recording or similar fees, in accordance with this Agreement.

ARTICLE X

DAMAGE TO OR DESTRUCTION OR TAKING OF THE PROPERTY

Section 10.01. Recovery of Insurance Proceeds. In the event of material damage to or destruction of all or any part of the Property, the parties will cooperate in order to recover any applicable proceeds of insurance under Section 7.06. After the happening of any casualty causing material damage to the Project, the Borrower shall give prompt written notice thereof to the Purchaser, and there shall be no abatement or reduction in the payments required to be made by the Borrower under this Agreement. Material Damage in this context shall mean either (a) damages to any property in excess of $500,000 or (b) damages that will materially adversely affect continuing operations.

In the event of the destruction of any part of the Project or any damage thereto, all proceeds in excess of $500,000 of insurance (after payment of any costs of collection) shall be paid to the Borrower and held in a separate account and, so long as no Default under this Agreement shall have occurred and be continuing and such proceeds shall be applied for the restoration of the Project by the Borrower. If such proceeds are insufficient for such restoration, the Borrower will provide for payment of the costs of completion from its own moneys. Any insurance proceeds remaining after payment of all such costs shall, so long as no Default under this Agreement shall have occurred and be continuing, be paid to the Borrower. However, if within ninety (90) days after the damage or destruction, the Borrower determines in good faith that (i) the Project cannot be reasonably restored within a period of twelve (12) months from the date of such damage or destruction, or (ii) the Borrower is thereby prevented from carrying on its normal operation of the Property for a period of six (6) months from the date of such damage or destruction and the Borrower so notifies the Purchaser in writing, the Borrower shall not be obligated to restore the Property and the net insurance proceeds shall be used as directed by the Purchaer.

Section 10.02. Eminent Domain. Should the Project or any material part thereof be taken or damaged by reason of any public improvement or condemnation proceeding or in any other manner (a "Taking"), or should the Borrower receive any notice or other information regarding such proceeding, the Borrower shall give prompt written notice thereof to the Purchaser and there shall be no abatement or reduction in the payments required to be made by the Borrower under this Agreement. A Material Taking in this context shall mean either (a) condemnation to any property in excess of $500,000 or (b) condemnation that will materially adversely affect continuing operations.

In the event of any such Material Taking in excess of $500,000 so long as no Default under this Agreement shall have occurred and be continuing the Borrower shall repair or reconstruct the Property to make the Property adequate for the continuance of the Borrower's business operations at the Project site. The compensation, awards, damages, rights of action and proceeds awarded to the Borrower in connection with such Taking, net of costs of collection, if any (the "Proceeds"), shall be deposited by the Borrower in a separate account with the Disbursing Agent. Upon the completion of such restoration, the Disbursing Agent shall, so long as no Default under this Agreement shall have occurred or be continuing, release the balance, if any, of the Proceeds to the Borrower, provided, however, that if, in the event of any Taking, the Borrower is not permitted to restore the Property or the Borrower fails to restore the Property within six months of such election, the Proceeds shall promptly be deposited or transferred as directed by the Purchaser.

ARTICLE XI

ASSIGNMENT AND SELLING

Section 11.01. Transfer and Assignment by the Purchaser. This Agreement, and the right to receive payments hereunder, may be assigned and reassigned in whole to any assignee or subassignee by the Purchaser at any time subsequent to its execution, upon transfer of the Bonds by the Purchaser to a subsequent registered owner of the Bonds. No such transfer and assignment or reassignment shall be effective unless and until the Issuer and the Borrower shall have received notice of the transfer and assignment or reassignment disclosing the name and address of the assignee or subassignee and unless and until the Issuer shall have issued a new Bond, naming the transferee and assignee as registered owner (which the Issuer shall have no obligation to do unless and until the Issuer has first received a canceled Bond naming the Purchaser as registered owner). Upon receipt of notice of assignment, the Borrower shall furnish a new Bond to the transferee and assignee upon receipt of a cancelled Bond from the Purchaser and a duly executed assumption of the Purchaser's obligations under this Agreement by the transferee and assignee, and the Borrower shall thenceforth make all payments to the transferee and assignee designated in the notice of assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that the Issuer and the Borrower may from time to time have against the Purchaser or the assignee. Upon any such transfer and assignment, the Purchaser shall indemnify the Issuer and hold the Issuer harmless from and against all liabilities of the Issuer arising in connection with the cancellation of the Bond naming the Purchaser as registered owner and the issuance of a new Bond naming the transferee as registered owner. Subject to the foregoing, the Issuer and the Borrower agree to execute all documents, including notices of assignment and financing statements, which may be reasonably requested by the Purchaser or its assignee to protect their interest in the Property and in this Agreement; provided, however, that the Issuer, the Borrower shall be reimbursed by the Purchaser for all costs incurred by the Issuer in connection therewith.

Section 11.02. No Sale or Assignment by the Borrower. This Agreement and the interest of the Borrower in the Property may not be sold, assumed, assigned or encumbered by the Borrower without the prior written consent of the Purchaser, except in the cases of (i) Permitted Liens, (ii) obsolete equipment and facilities, or (iii) items abandoned or replaced in the ordinary course of business.

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01. Events of Default. The following constitute "Events of Default" or singularly an "Event of Default" under this Agreement:

(a) failure by the Borrower to pay to the Purchaser, as assignee of the Issuer, within five (5) days of when due any Debt Service Payment or to pay any other payment required to be paid hereunder;

(b) failure by the Borrower to maintain insurance on the Property in accordance with Section 7.06 hereof;

(c) failure by the Borrower to observe, comply with and/or perform the covenants, conditions and agreements set forth in Article VIII hereof;

(d) failure by the Borrower or the Issuer to observe and perform any other covenant, condition or agreement of the Borrower or the Issuer, respectively, contained herein, in the Borrower's Tax Certificate or in any other document or agreement executed in connection herewith on its part to be observed or performed for a period of thirty (30) days after written notice is given to the Borrower or the Issuer, as the case may be, specifying such failure and requesting that it be remedied; provided, however, that, if the failure stated in such notice cannot be corrected within such 30-day period, the Purchaser will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower or the Issuer, as the case may be, within the applicable period and diligently pursued until the default is corrected;

(e) initiation by the Issuer of a proceeding under any federal or state bankruptcy or insolvency law seeking relief under such laws concerning the indebtedness of the Issuer;

(f) the Borrower shall be or become insolvent, or admit in writing its inability to pay its debts as they mature, or make an assignment for the benefit of creditors; or the Borrower shall apply for or consent to the appointment of any receiver, trustee or similar officer for them or for all or any substantial part of its property; or such receiver, trustee or similar officer shall be appointed without the application or consent of the Borrower (and shall not have been dismissed within forty-five (45) days); or the Borrower shall institute (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to them under the laws of any jurisdiction; or any such proceeding shall be instituted (by petition, application or otherwise) against the Borrower (and shall not have been dismissed within forty-five (45) days); or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower (and shall not have been dismissed within forty-five (45) days);

(g) determination by the Purchaser that any material representation or warranty made by the Borrower or the Issuer herein, in the Tax Certificate, or in any other document executed in connection herewith was untrue in any material respect when made;

(h) the occurrence of a default or an event of default under any instrument, agreement or other document evidencing or relating to any indebtedness or other monetary obligation of the Borrower (whether individually or in the aggregate) in an amount greater than $100,000, so that a holder or trustee of such indebtedness is empowered to accelerate such indebtedness;

(i) an Event of Taxability shall occur;

(j) any representation or warranty made by the Borrower herein or in any certificate, agreement, statement or document simultaneously herewith or hereafter furnished to the Purchaser in connection herewith, including without limitation, any financial information disclosed to the Purchaser, shall prove to be materially false or incorrect in any material respect;

(k) the Borrower shall terminate its existence by merger, consolidation, sale of substantially all of its assets or otherwise; or

(l) any event of default or breach of any of the Borrower's covenants or obligations to the Purchaser or any of the Purchaser's affiliates under any documents evidencing or securing any other loans from the Purchaser to the Borrower.

The Borrower shall promptly notify the Purchaser and the Issuer of the occurrence of any Event of Default or the occurrence or existence of any event or condition which, upon the giving of notice of lapse of time, or both, may become an Event of Default.

Section 12.03. <u>Remedies on Default</u>. Whenever any Event of Default shall have occurred and be continuing, the Purchaser may take any one or any combination of the following remedial steps insofar as the same are available to mortgagees under Section 479 of the New Hampshire Revised Statutes Annotated (or successor statute) and/or secured parties under Article 9 of the UCC in effect in the State from time to time and which are otherwise accorded to the Purchaser by applicable law:

(a) by notice to the Borrower and the Issuer, declare the entire unpaid principal amount of the Bonds and the Loan then outstanding, all interest accrued and unpaid thereon and all amounts payable under this Agreement to be forthwith due and payable, whereupon the Bonds and the Loan, all such accrued interest and all such amounts shall become and be forthwith due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower;

(b) proceed by appropriate court action to enforce specific performance by the Issuer or the Borrower of the applicable covenants of this Agreement or to recover for the breach thereof, including the payment of all amounts due from the Borrower. The Borrower shall pay or repay to the Purchaser and the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees; and

(c) take whatever action at law or in equity may appear necessary or desirable to enforce its rights with respect to the Property. The Borrower shall pay or repay to the Purchaser or the Issuer all costs of such action or court action, including, without limitation, reasonable attorneys' fees.

In addition, notwithstanding any contrary provision in this Agreement, the Issuer and its directors, officers, employees and agents shall have the right to take any action not prohibited by law or make any decision not prohibited by law with respect to proceedings for indemnity against the liability of such party and for collection or reimbursement of moneys due to such party under this Agreement. The Issuer and its directors, officers, employees and agents may enforce the Unassigned Rights by legal proceedings for the specific performance of any obligation contained herein or for the enforcement of any other legal or equitable remedy, and may recover damages caused by any breach by the Borrower of its obligations to the Issuer under this Agreement, including, without limitation, any amounts required to be paid by the Borrower pursuant to Sections 4.03 and 14.01 hereof and court costs, reasonable attorney's fees and other costs and expenses incurred in enforcing such obligations.

Section 12.04. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice other than such notice as may be required by this Agreement. All remedies herein conferred upon or reserved to the Issuer shall survive the termination of this Agreement.

Section 12.05. Late Charge. Any Debt Service Payment not paid by the Borrower within fifteen (15) days of the due date thereof shall, to the extent permissible by law, bear a late charge equal to the greater of ten percent (10.00%) or the One-Month LIBOR, plus eight percent (8.00%), and the Borrower shall be obligated to pay the same immediately upon receipt of the Purchaser's written invoice therefor.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Costs and Expenses of the Purchaser. The Borrower shall pay to the Purchaser an upfront fee of one-quarter percent (1/4%) of the amount of the Loan, due and payable at origination and shall pay such amounts in each year as shall be required by the Purchaser in payment of any reasonable costs and expenses incurred by the Purchaser in connection with the execution, performance or enforcement of this Agreement, including but not limited to payment of all reasonable fees, costs and expenses and all administrative costs of the Purchaser in connection with the Property, the Bonds and the Loan (including, without limitation, reasonable attorneys' fees and disbursements, fees of auditors or attorneys, insurance premiums not otherwise paid hereunder and all other direct and necessary administrative costs of the Purchaser or charges required to be paid by it in order to comply with the terms of, or to enforce its rights under, this Agreement, but not including general administrative or overhead expenses of the Purchaser). Such costs and expenses shall be billed to the Borrower by the Purchaser from time to time, together with a statement certifying that the amount so billed has been paid by the Purchaser for one or more of the items above described, or that such amount is then payable by the Purchaser for such items. Amounts so billed shall be due and payable by the Borrower within thirty (30) days after receipt of the bill by the Borrower.

Section 13.02. Disclaimer of Warranties. THE PURCHASER AND THE ISSUER MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR ANY OTHER WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, WITH RESPECT HERETO. In no event shall the Purchaser or the Issuer be liable for any loss or damage in connection with or arising out of the Bonds, this Agreement, the Property or the existence, furnishing, functioning or the Borrower's use of any item or products or services provided for in this Agreement.

Section 13.03. Notices. All notices, certificates, certifications, requests, demands and other communications provided for hereunder or under the Borrower's Tax Certificate shall be in writing and shall be (a) personally delivered, (b) sent by first class United States mail, (c) sent by overnight courier of national reputation, or (d) transmitted by telecopy, in each case addressed to the party to whom notice is being given at its address as set forth above and, if telecopied, transmitted to that party at its telecopier number set forth above or, as to each party, at such other address or telecopier number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. All such notices, requests, demands and other communications shall be deemed to have been given on (a) the date received if personally delivered, (b) three (3) Business Days after deposit in the mail if delivered by mail, (c) the date sent if sent by overnight courier, or (d) the date of transmission if delivered by telecopy. If notice to the Borrower of any intended disposition of the Property or any other intended action is required by law in a particular instance, such notice shall be deemed commercially reasonable if given (in the manner specified in this Section) at least ten (10) calendar days prior to the date of intended disposition or other action.

Section 13.04. Further Assurance and Corrective Instruments. The Issuer and the Borrower hereby agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further acts, instruments, conveyances, transfers and assurances, as the Purchaser reasonably deems necessary or advisable for the implementation, correction, confirmation or perfection of this Agreement or the Tax Certificate and any rights of the Purchaser hereunder or thereunder.

Section 13.05. Binding Effect: Time of the Essence. This Agreement shall inure to the benefit of and shall be binding upon the Purchaser, the Issuer, the Borrower and its respective successors and assigns. Time is of the essence.

Section 13.06. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.07. Amendments. To the extent permitted by law, the terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the parties hereto, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given.

Section 13.08. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart

Section 13.09. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

Section 13.10. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 13.11. Entire Agreement. This Agreement, the Tax Certificate, and the exhibits hereto and thereto constitute the entire agreement among the Purchaser, the Issuer, and the Borrower. There are no understandings, agreements, representations or warranties, express or implied, not specified herein or in such documents regarding this Agreement or the Property financed hereby.

Section 13.12. Usury. It is the intention of the parties hereto to comply with any applicable usury laws; accordingly, it is agreed that, notwithstanding any provisions to the contrary in this Agreement, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum permitted by applicable law.

Section 13.13. Waiver of Jury Trial. THE PURCHASER, THE ISSUER AND THE BORROWER HEREBY WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT, ANY OF THE RELATED DOCUMENTS, ANY DEALINGS AMONG THE PURCHASER, THE ISSUER OR THE BORROWER RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG THE PURCHASER, THE ISSUER AND THE BORROWER. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

Section 13.14. No Personal Liability or Accountability. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be the covenant, stipulation, obligation or agreement of any present, past or future director, member, officer, agent or employee of the Issuer in his or her individual capacity, and the directors, officers, employees or agents of the Issuer and any official of the Issuer executing any of the documents referred to in this sentence shall not be liable personally with respect to such documents or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

Section 13.15. Termination. When all Debt Service Payments have been made in accordance with the terms of this Agreement and all other amounts owed to the Purchaser, or the Issuer or their respective directors, officers, employees and agents have been paid or provided for to the satisfaction of the Purchaser and the Issuer, this Agreement (but not the provisions of Sections 2.02 and 4.06 and any other provisions which are to survive termination hereof) shall terminate and the Purchaser or the Issuer, at the request and expense of the Borrower, shall execute such documents or instruments as may be reasonably requested by the Borrower to defease any Lien created by the Purchaser or the Issuer under this Agreement upon the Property.

Section 13.16. Survival of Covenants, Etc. All covenants, agreements, representations and warranties made herein and in certificates delivered in connection herewith shall be deemed to have been relied on by the Purchaser and the Issuer, notwithstanding any investigation made by the Purchaser or the Issuer, or in their behalf, and shall survive the execution and delivery of this Agreement until payment in full of the Loan. All such covenants, agreements, representations and warranties shall be joint and several obligations of the Borrower and bind and inure to the benefit of the Borrower's and the Purchaser's and the Issuer's successors and assigns, whether so expressed or not.

Section 13.17. Indemnification of the Purchaser by the Borrower. The Borrower, regardless of any agreement to maintain insurance, shall indemnify and save harmless, to the fullest extent permitted by law, the Purchaser and its directors, officers, employees and agents from and against (a) any and all claims by or on behalf of any person arising out of (1) any condition of the Property, or (2) the acquisition, or operation of the Property or any work or anything whatsoever done or omitted to be done on or about the Property, or (3) any accident, injury or damage whatsoever to any person occurring on or about the Property, or (4) any breach or default by the Borrower of or in any of its obligations hereunder, or (5) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees, or (6) the offering, issuance, sale or any resale of this Agreement or the Loan, but only to the extent permitted by law, and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon. In case any action or proceeding is brought against the Purchaser or any of its directors, officers, employees or agents by reason of any such claim, the Borrower upon notice from the affected party shall resist or defend such action or proceeding. Subject to the foregoing, the Purchaser shall cooperate and join with the Borrower, at the expense of the Borrower, as may be required in connection with any action or defense by the Borrower. This indemnification shall survive the termination or defeasance of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement in their respective corporate names by their duly authorized officers, all as of the date first written above.

TD BANK, N.A. ("Purchaser")

By: ______________________________

Name: ____________________________

Title: _____________________________

BUSINESS FINANCE AUTHORITY OF THE STATE OF NEW HAMPSHIRE

By: ______________________________

Name: ____________________________

Title: _____________________________

THW MONADNOCK COMMUNITY HOSPITAL ("Borrower")

By: ______________________________

Name: ____________________________

Title: _____________________________

EXHIBIT A

DEBT SERVICE PAYMENTS

EXHIBIT B

PERMITTED LIENS

EXHIBIT C

BOND FORM

A RESOLUTION AUTHORIZING UP TO $28,000,000 BONDS
FOR REFUNDING OUTSTANDING BONDS OF
THE MONADNOCK COMMUNITY HOSPITAL
IN PETERBOROUGH, NEW HAMPSHIRE

WHEREAS, Monadnock Community Hospital (the "Hospital") has by submission of Form BFA-1 notified the Business Finance Authority of the State of New Hampshire (the "Authority") of its desire to refinance certain commercial facilities as described in Exhibit A hereto (the "Facilities") and has requested the Authority to issue one or more series of Variable Rate Demand Revenue Bonds (Monadnock Community Hospital Issue), Series 2013 (the "Bonds") in an aggregate principal amount not to exceed $28,000,000 under RSA 162-I (the "Act") and to loan the proceeds to the Hospital in order to refinance costs of the Projects to the extent it qualifies as a "qualified 501(c)3 bond" within the meaning of Section 145(a) of the Code;

WHEREAS, the Authority has been furnished with (a) information and materials about the Hospital, the Projects and unemployment in the Peterborough area, (b) evidence that TD Bank, N.A. (the "Bank") is willing to purchase the Bonds, (c) the proposed form of the MORTGAGE, SECURITY, LOAN AND TRUST AGREEMENT among the Authority, the Hospital, the Bank and People's United Bank as trustee (the "Trustee") which is a combined financing and security document which will secure the Bonds (the "Agreement"), and (d) other information, materials and assurances deemed relevant by the Authority;

IT IS HEREBY RESOLVED THAT:

Section 1. Findings. On the basis of the information, materials and assurances received by the Authority and considered by it at an open meeting, the Authority finds:

(a) Special Findings:

(1) The Bonds will be used to: (i) current refund the outstanding Business Finance Authority of the State of New Hampshire Revenue Bond, The Monadnock Community Hospital Issue (2009); (ii) current refund the outstanding Business Finance Authority of the State of New Hampshire Variable Rate Demand Revenue Bonds, The Monadnock Community Hospital Issue, Series 2007 and (ii) pay certain costs associated with the issuance of the Bonds.

(2) The operation of the Facilities will create and preserve employment opportunities directly and indirectly within the State of New Hampshire (the "State").

(b) General Findings:

(1) The Projects (as defined in Exhibit A hereto) and the proposed refinancing thereof are feasible;

(2) The Hospital has the skills and financial resources necessary to operate the Facilities successfully;

(3) The Agreement contains provisions so that under no circumstances will the Authority be obligated directly or indirectly to pay Project costs, debt service or expenses of operation, maintenance and upkeep of the Facilities except from proceeds of the Bonds or from funds received under the Agreement, exclusive of funds received thereunder by the Authority for its own use;

(4) The Agreement does not purport to create any debt of the State with respect to the Facilities, other than a special obligation of the Authority acting on behalf of the State under the Act; and

(5) The proposed refinancing of the Projects by the Authority and the operation and use of the Facilities will serve one or more needs and implement one or more purposes set forth in RSA 162-I:1, will preserve or increase the social or economic prosperity of the State and one or more of its political subdivisions, and will promote the general welfare of the State's citizens.

Section 2. Determination and Recommendation. The Authority finds that the proposed refinancing, operation and use of the Facilities will serve a public use and provide a public benefit and determines that the Authority's refinancing of the Projects will be within the policy of, and the authority conferred by, the Act. The Authority recommends to His Excellency the Governor and The Honorable Council that they make findings and a determination similar to those set forth above, and for that purpose the Executive Director is directed to transmit to the Governor and Council copies of this resolution, the materials received by the Authority with respect to the Projects and any other documentation and information the Governor and Council may request.

Section 3. Authorization of the Agreement. The Authority shall be a party to the Agreement, and the Chairman, Vice Chairman, Treasurer and Executive Director are each authorized to execute and deliver the Agreement on behalf of the Authority substantially in the form presented to this meeting, but subject to such changes as the person so signing may approve, his or her signature being conclusive identification of the documents as the Agreement (with approved changes, if any) authorized by this resolution.

Section 4. Authorization and Sale of the Bonds. The Authority shall issue the Monadnock Bonds in one or more series in the aggregate amount of up to $28,000,000 as provided in the Agreement; the Chairman, or the Vice Chairman, or the Treasurer, and any other member of the Board or the Executive Director, are authorized to execute the Bonds by either manual or facsimile signature; and the sale of the Bonds to the Bank at the price of par is hereby authorized and approved.

Section 5. Actions Not to Be Taken Until After Approval by Governor and Council. The actions authorized by Sections 3 and 4 above (meaning specifically the execution of the Agreement and the issuance of the Bonds), shall not be taken until such time as the Governor and Council have made the findings and determination required by Section 9 of the Act, it being the intent of the Authority that the various actions on its behalf which are authorized above are subject to the action of the Governor and Council as required by the Act.

Section 6. Bond Proceeds. The proceeds of the Bonds shall be deposited with the Trustee in accordance with the Agreement, and checks, if any, for such Bond proceeds may be appropriately endorsed by the Chairman, Vice Chairman, Treasurer or the Executive Director.

Section 7. Approval of Projects. The establishment of the Projects, all in accordance with the provisions of the Agreement, has been approved for the purposes of, and to the extent required by, the Act by resolutions dated April 20, 2009 and October 31, 2007.

Section 8. Other Actions by Officers. The Chairman, Vice Chairman, Treasurer and the Executive Director are each authorized to take all other actions and execute, deliver or receive such instruments or certificates as they determine are necessary on behalf of the Authority in connection with the transactions authorized by the preceding sections of this resolution, but subject in all events to Section 5 hereof. Without limiting the generality of the foregoing, such officers may execute and deliver: receipts; financing statement forms under the U.C.C.; certificates as to facts, estimates and circumstances; information returns for governmental bond issues for the purposes of federal income taxes; and certificates as to proceedings taken, incumbency of officers or any other facts for any other purposes.

Section 9. Discharge of Lien. The Chairman, Vice Chairman, Treasurer or Executive Director, whenever requested by the owners of the Bonds may join in the release and final discharge of the lien of the Agreement.

Section 10. Authorization of Change of Dates. Without limiting any other discretion conferred in this resolution, the date of the Agreement and the date the Bonds are executed may be any date or dates acceptable to the Hospital, the Bank and the officers of the Authority executing such Agreement and the Bonds

Section 11. Effective Date. This resolution shall take effect upon its passage.

Passed: November 19, 2012.

Attest: ______________________
Jack Donovan, Clerk

EXHIBIT A

List of Projects and Facilities

Proceeds of the Business Finance Authority of the State of New Hampshire Variable Rate Demand Hospital Revenue Bonds, The Monadnock Community Hospital Issue, Series 2007 were used to pay, or reimburse the Hospital for paying, a portion of the costs of acquiring, constructing, renovating and equipping capital projects with respect to the Hospital's health care facilities, including: (a) construction of a new campus connector road, (b) major renovation and/or construction of the hospital pharmacy, (c) purchase of major moveable and imaging equipment and furniture and fixtures, and (d) building renovations, including a major upgrade to electrical systems and other mechanical upgrades, (collectively, the "2007 Project"). Proceeds of the Business Finance Authority of the State of New Hampshire Revenue Bond, The Monadnock Community Hospital Issue (2009) were used to pay for the construction of (a) a new emergency room, (b) operating room expansion, (c) construction and renovation of clinic space and (d) renovations to the obstetrical unit (collectively, the "2009 Project" and together with the 2007 Project the "Projects"). The Projects are owned and operated by the Hospital and located at or contiguous to the Hospital's campus located at 452 Old Street Road, Peterborough, NH 03458.

SUMMARY OF REQUIRED STATUTORY FINDINGS OF THE
GOVERNOR AND COUNCIL UNDER RSA 162-I.

(The materials appearing in quotations below are extracts from RSA 162-I:9. Dots indicate deleted provisions relating to matters which are not relevant to this transaction.)

* * *

Special Findings

"(1) For any project, the governor and council shall specify the type of facility and shall find that the project to be financed is within the definition of the (type of facility) and may be financed under this chapter;"

The Bonds will be used to refinance certain projects to be owned and operated by The Monadnock Community Hospital (the "Hospital"). The Bonds will be used to: (i) current refund the outstanding Business Finance Authority of the State of New Hampshire Revenue Bond, The Monadnock Community Hospital Issue (2009) (the "Series 2009 Bonds"); (ii) current refund the outstanding Business Finance Authority of the State of New Hampshire Variable Rate Demand Revenue Bonds (Monadnock Community Hospital Issue) Series 2007 (the "Series 2007 Bonds") and (iii) pay certain costs associated with the issuance of the Bonds. The Project being refinanced is a "commercial facility" within the meaning of RSA 162-I:2, III-a and may therefore be financed under the Act.

* * *

"(5) If the facility is a commercial facility, the governor and council shall find that the establishment and operation of the facility will either create or preserve employment opportunities directly or indirectly within the state and will likely be of general benefit to the community as a whole..."

When the Series 2007 Bonds and the Series 2009 Bonds were issued, The Monadnock Community Hospital expected Project associated with them to collectively preserve 520 existing jobs. This refinancing will allow the jobs preserved by the Project to continue (Form BFA-1 under Tab #3). The information from the New Hampshire Department of Employment Security (Tab #5) shows there is unemployment in the Peterborough area.

* * *

General Findings

"For any project, the governor and council shall find that:

(1) The project and the proposed financing of the project are feasible;"

TD Bank, N.A. has agreed to purchase the Bonds in a direct placement (Tab #4). The financial statements with respect to the Hospital also support the finding (Tab #3).

* * *

(2) "The proposed user has the skills and financial resources necessary to operate the facility successfully;"

The Monadnock Community Hospital has assembled an experienced team of successful senior administrators led by its President and Chief Executive Officer, Peter Gosline, who has many years of experience in health care administration.

* * *

"(3) The financing and security documents contain provisions so that under no circumstances will the authority be obligated directly or indirectly to pay project costs, debt service or expenses of operation, maintenance and upkeep of the facility except from bond proceeds or from funds received under the financing or security documents, exclusive of funds received under the documents by the authority for its own use;"

The proposed form of LOAN AND SECURITY AGREEMENT for the Bonds (the "Agreement") (Tab #6) is a combined financing document and security document and contains an express statement to the effect required. In addition, the Agreement obligates the Hospital to pay all debt service on its Bonds when it is due and requires the Hospital to pay taxes and costs of operation, maintenance and upkeep.

* * *

"(4) Neither the financing document nor the security document purports to create any debt of the state with respect to the facilities, other than a special obligation of the authority acting on behalf of the state under this chapter; and"

Express language to this effect is found in the Agreement.

* * *

"(5) The proposed financing of the project by the authority and the proposed operation and use of the facility will serve one or more needs and implement one or more purposes set forth in RSA 162-I: 1, will preserve or increase the social or economic prosperity of the state and one or more of its political subdivisions, and will promote the general welfare of the state's citizens."

This finding can be based on all the materials as well as facts which are matters of general knowledge.

* * *

<u>Ultimate Finding and Determination Required by the First Paragraph of RSA 162-1:9</u>

". . . the proposed financing operation and use of the facility will serve a public use and provide a public benefit and . . . the authority's financing of the project will be within the policy of and the authority conferred by, this chapter."

The materials and information furnished and the preliminary findings described above support, and enable the making of, the ultimate finding and determination.

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