

PROCEEDINGS OF THE COUNTY BOARD

State of Minnesota }
County of Kanabec }
Office of the County Coordinator

December 5, 2012

The Kanabec County Board of Commissioners met at 6:30pm on Wednesday, December 5, 2012 pursuant to adjournment with the following Board Members present: Kim Smith, Gene Anderson, Les Nielsen, Kevin Troupe, and Kathi Ellis

The Chairperson led the assembly in the Pledge of Allegiance.

Action #1 - It was moved by Kathi Ellis, seconded by Kevin Troupe and carried unanimously to approve the agenda as amended: Cancel the 6:55pm appointment.

Action #2 – It was moved by Kevin Troupe, seconded by Kathi Ellis and carried unanimously to recess the board meeting at 6:31pm to a time immediately following the Public Health Board.

The Kanabec County **Public Health Board** met at **6:31pm** on Wednesday, December 5, 2012 pursuant to public notice with the following Board Members present: Kathi Ellis, Les Nielsen, Kim Smith, Gene Anderson and Kevin Troupe.

Action #PH3 – It was moved by Kevin Troupe, seconded by Gene Anderson and carried unanimously to approve the Public Health Board Agenda as presented.

Action #PH4 – It was moved by Les Nielsen seconded by Gene Anderson and carried unanimously to recess the Public Health Board at 6:33pm to meet in continued session on Wednesday, December 19, 2012 at 9:45am.

The meeting of the Kanabec County Board of Commissioners resumed.

Chief Deputy Brian Smith met with the County Board to discuss matters concerning the Sheriff's Office.

Action #5 – It was moved by Les Nielsen, seconded by Kevin Troupe and carried unanimously to approve the following resolution:

Resolution #5 – 12/05/12 ORDER OF THE BOARD

WHEREAS there is a vacancy in the position of a Deputy Sergeant, and

WHEREAS the board desires to refill this vacant position;

BE IT RESOLVED that the County Board authorizes County Sheriff and the County Personnel Director to hire a Deputy Sergeant to refill the vacant position at Step A, Range 13 of the pay plan which is \$21.51 per hour or the rate set by rule for internal promotion, and

BE IT FURTHER RESOLVED that the hours of work for this position be limited to those budgeted, and

BE IT FURTHER RESOLVED to authorize County Sheriff Steve Schulz and the County Personnel Director to refill any subsequent vacancies that may occur within the department due to internal promotion.

Action #6 – It was moved by Kevin Troupe, seconded by Les Nielsen and carried unanimously to approve the November 28, 2012 minutes of the County Board of Commissioners as corrected: Action #13 – deleted the duplicate Gene Anderson and add Kathi Ellis to voted in favor of, Action #18 - delete “and” from the end of first paragraph, and Action #20 - list people that were at the closed session.

Action #7 – It was moved by Kathi Ellis, seconded by Les Nielsen and carried unanimously to approve the following paid claims:

| Vendor | Amount |
|------------------------------|---------------|
| Ann Lake Twp | 6,187.89 |
| Arthur Twp | 9,941.39 |
| Braham Public Schools | 33,117.72 |
| Brunswick Twp | 17,482.06 |
| City of Braham | 2,392.32 |
| City of Grasston | 573.61 |
| City of Mora | 8,837.39 |
| City of Ogilvie | 1,774.95 |
| City of Quamba | 1,299.26 |
| Comfort Twp | 15,112.75 |
| Comm of Finance | 6.36 |
| East Central Reg Dev Comm | 1,883.56 |
| East Central School District | 4,936.78 |
| Ford Twp | 8,286.67 |
| GMCU | 803.98 |
| Grass Lake Twp | 19,531.52 |
| Haybrook Twp | 3,847.62 |
| Hillman Twp | 7,174.08 |
| Hinckley-Finlayson Schools | 11,771.94 |
| Isle Public Schools | 5,543.11 |

| | |
|-------------------------------|------------|
| Kanabec County | 17,779.09 |
| Kanabec Twp | 7,971.07 |
| Knife Lake Twp | 7,281.00 |
| Kroschel Twp | 4,998.26 |
| Milaca Public Schools | 2,917.04 |
| Mora Municipal Utilities | 1,039.53 |
| Mora Public Schools | 96,797.05 |
| Ogilvie Public Schools | 94,300.06 |
| Peace Twp | 6,003.12 |
| Pine City Public Schools | 379.83 |
| Pomroy Twp | 11,205.86 |
| Resource Training & Solutions | 4,641.00 |
| Southfork Twp | 12,033.73 |
| Whited Twp | 6,714.80 |
| Total | 434,566.40 |

Action #8 – It was moved by Kathi Ellis, seconded by Kevin Troupe and carried unanimously to approve the following claims on the fund indicated:

Revenue Fund

| VENDOR | AMOUNT |
|----------------------------------|----------|
| AAA | 59.95 |
| Ace Hardware | 58.79 |
| Ace Hardware | 18.15 |
| Ace Hardware | 18.16 |
| Advanced Correctional Healthcare | 74.62 |
| Aitkin Medical | 460.20 |
| Akkerman-Ingebrand Funeral Home | 900.00 |
| AmeriPride | 430.26 |
| AmeriPride | 39.62 |
| Ammerman Tree Service | 130.00 |
| Anderson, Karen | 285.28 |
| Andres, Christine | 15.77 |
| Auto Value | 39.52 |
| Auto Value | 22.70 |
| A'viands LLC | 6,416.67 |
| BCA Criminal Justice | 250.00 |
| Bernhardt, Maria | 201.59 |
| Bernicks | 49.98 |
| Biever, Laurie | 120.99 |
| Briggs | 233.63 |
| Brothers Fire Protection | 2,241.98 |

| | |
|-----------------------------|-----------|
| Bryant, Donna | 2,671.87 |
| Bryant, Donna | 424.16 |
| Burnett Co Clerk of Court | 6.25 |
| Burski, Kathy | 107.67 |
| Cassman, Deb | 164.84 |
| Cheney, Melody | 31.64 |
| Christianson, Craig | 588.87 |
| City of Milaca | 34.56 |
| City of Mora | 32,362.50 |
| Coborns Pharmacy | 12.44 |
| Colburn, Judy | 489.31 |
| Creative Forms & Concepts | 191.42 |
| Dex Media East | 29.90 |
| Digital Ally | 111.16 |
| Don's Auto | 309.93 |
| Druar, Dan | 453.55 |
| East Central Exterminating | 256.80 |
| East Central Exterminating | 122.90 |
| ECM Publishers | 141.00 |
| Election Systems & Software | 6,557.05 |
| Electric Motor Service | 391.16 |
| Elfstrum, Brenda | 338.00 |
| Ellis, Kathi | 153.32 |
| Faust, Patrick | 507.25 |
| Felland, Becky | 107.68 |
| FirstLight Health System | 148.25 |
| FirstLight Health System | 581.72 |
| Fresonke, Lew | 110.00 |
| Friday, Jenny | 33.86 |
| Galls | 137.79 |
| Galls | 412.29 |
| Garcia, Timothy | 302.50 |
| Geisthardt, Betty | 233.63 |
| Geurkink, Bob | 166.72 |
| Glens Tire | 20.00 |
| Gorham Oien Mechanical | 1,643.96 |
| Gorham Oien Mechanical | 255.00 |
| Grainger | 231.24 |
| Granite City Jobbing | 1,331.77 |
| Hawkins, Dorothy | 901.93 |
| Hoefert, Bob | 1,719.13 |
| Holland, Jeff | 51.62 |
| Hood, Barb | 643.82 |

| | |
|-----------------------------|----------|
| Hood, Bill | 518.17 |
| Isanti PD | 4,926.46 |
| Jebsen, Michelle | 122.10 |
| Johnsons Hardware | 10.14 |
| Johnsons Hardware | 302.32 |
| Kanabec Co Hwy Dept | 44.35 |
| Kanabec Co Hwy Dept | 31.94 |
| Kanabec Co Hwy Dept | 15.16 |
| Kanabec Co Public Health | 1,338.73 |
| Kanabec Co Public Health | 25.00 |
| Keepsrs | 1,230.48 |
| Kramersmeier, Wallace | 500.00 |
| Landreville, Willard | 1,274.29 |
| Lane, Dave | 32.19 |
| Leerssen, Jennifer | 484.01 |
| Lenny's Service | 376.34 |
| Manakato City Center | 165.58 |
| Marohn, Brenda | 15.54 |
| McFadden, Barb | 463.42 |
| McIntosh, Bob | 600.00 |
| Midcontinent Communications | 617.89 |
| Midcontinent Communications | 212.38 |
| Midcontinent Communications | 1,385.51 |
| MN Mutual Life | 182.65 |
| MN Sheriff's Assn | 280.00 |
| MN Sheriff's Assn | 58.82 |
| Mora Municipal Utilities | 5,305.64 |
| Mora Municipal Utilities | 8,100.76 |
| Mora Unclaimed Freight | 171.86 |
| Nature's Way Chiropractic | 75.00 |
| Nelson, Ansel | 805.95 |
| Nelson, Jerry | 289.74 |
| Nelson, Linda | 88.25 |
| Nelson, Ronette | 459.57 |
| Newgard, Jean | 208.69 |
| Office Depot | 158.38 |
| Office Depot | 102.47 |
| Office Depot | 85.30 |
| Office Depot | 249.13 |
| Olson, Autumn | 77.70 |
| Oslin Lumber | 12.60 |
| Osterdyk, Dorothy | 224.78 |
| Ostrom, Donna | 12.00 |

| | |
|----------------------------|--------------|
| Pancake, Dale | 264.09 |
| Payne, Liz | 330.00 |
| Pedersen, Jerry | 13.32 |
| Perlick, Lisa | 1,160.00 |
| Phoenix Supply | 814.66 |
| Pieper, Helen | 339.46 |
| Pieper, Rollie | 864.26 |
| PSS-World Medical | 106.03 |
| Quality Disposal | 315.32 |
| Raiche, Nancy | 98.79 |
| Ramsey County | 1,400.00 |
| Raudabaugh, Carey | 48.84 |
| Regions Hospital | 76.00 |
| Reliance Telephone | 2,150.00 |
| Ringler, Jennie | 82.70 |
| Rittenour, Michelle | 38.85 |
| Rogers, Pearl | 692.82 |
| Rosburg, Diane | 74.93 |
| S&T | 105.50 |
| S&T | 36.74 |
| S&T | 171.38 |
| S&T | 440.18 |
| Sheriff, Isanti Co | 2,810.85 |
| Sheriff, Pine Co | 5,154.16 |
| Sheriff, Sherburne Co | 30.00 |
| SISU | 111.00 |
| Skramstad, Linda | 222.56 |
| Stahlke's | 110.00 |
| Stellar Services | 606.70 |
| Struffert, Delores | 365.52 |
| Tadych, Marge | 1,040.68 |
| Telander, Sarah | 452.89 |
| Thompson, Wendy | 512.82 |
| TigerDirect | 411.99 |
| Uniform Unlimited | 49.59 |
| University of MN Extension | 200.00 |
| US Bank | 2,344,071.75 |
| Verizon Wireless | 286.33 |
| Vogel, Darla | 252.53 |
| Watson Co | 194.62 |
| Wergin, Richard | 175.00 |
| Winger, Wendy | 5.00 |
| Zamora, Ray | 1,173.19 |

| | |
|-------|--------------|
| Total | 2,467,060.66 |
|-------|--------------|

Road & Bridge Fund

| Vendor | Amount |
|------------------------------------|---------------|
| Ace Hardware | 194.85 |
| Ameripride | 531.36 |
| Auto Value Mora | 1,085.43 |
| Central McGowan, Inc. | 57.71 |
| FirstLab | 79.90 |
| Fluegge's Ag, Inc. | 53.44 |
| Force America Distributing, LLC | 169.28 |
| Gopher State One-Call | 7.25 |
| Grainger | 146.71 |
| Granite City Jobbing | 554.36 |
| Milles Lacs Co. Public Works | 200.00 |
| Mora Chevrolet Buick | 398.14 |
| Power Plan | 770.40 |
| Quality Disposal Systems, Inc. | 138.84 |
| Richards, Lila, The Cleaning Agent | 733.16 |
| Towmaster | 474.53 |
| Total: | 5,595.36 |

County Auditor/Treasurer Denise Cooper met with the County Board to discuss matters concerning her office.

Action #9 – It was moved by Kathi Ellis, seconded by Gene Anderson and carried unanimously to approve the following resolution:

Resolution #9 – 12/05/12

WHEREAS George Turgeon has requested a permit to remove Dead standing timber on tax forfeited property, and

WHEREAS the request has been reviewed by a DNR Forester, and

WHEREAS the DNR Forester has set forth conditions that appear consistent with good land management, and

WHEREAS this permit shall expire March 31, 2013;

BE IT RESOLVED to approve firewood permit #33-171 for George Turgeon to remove dead standing trees within the N1/2 of NE1/4 of Section 31, Haybrook Township, and

BE IT FURTHER RESOLVED that all conditions of set forth by the DNR Forester be met.

Action #10 – It was moved by Les Nielsen, seconded by Kevin Troupe and carried unanimously to approve paying out 40 hours of comp time to Diane Weepie.

Carolyn Drude with Ehlers and Associates met with the County Board to discuss matters concerning bonds.

The Chairman recessed the board meeting at 7:10pm to hold a Public Hearing to discuss refinancing Series 2012 bonds.

7:10pm – A Public Hearing was held to discuss 501(c) refunding. The Chairman called for public comment: None responded.

Action #11 – It was moved by Les Nielsen, seconded by Kathi Ellis and carried unanimously to adjourn the Public Hearing at 7:20pm.

Action #12 – Board member Les Nielsen introduced the following resolution and moved its adoption, which motion was seconded by Board member Kathi Ellis:

Resolution #12 – 12/05/12

RESOLUTION AUTHORIZING ISSUANCE, AWARDING THE SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT OF \$4,120,000 GROSS REVENUE HEALTH FACILITIES BONDS, SERIES 2012

WHEREAS, Kanabec County, Minnesota (the “Issuer”), owns and operates a municipal hospital commonly known as the Kanabec County Hospital and located at 300 Clark Street in the City of Mora, Minnesota and hereinafter referred to as the “Hospital”; and

WHEREAS, to finance construction of a hospital and clinic addition to the Hospital consisting of a family practice clinic, new emergency room space, a medical laboratory and 35,000 square feet of unfinished space, the Issuer has heretofore issued its \$4,200,000 Gross Revenue Health Facilities Bonds, Series 2003B (the “Series 2003B Bonds”); and

WHEREAS, in order to finance a new 18,000 square foot surgery suite and an expanded rehabilitation department at the Hospital and refund certain outstanding obligations, the Issuer has heretofore issued its \$9,000,000 Gross Revenue Health Care Facilities Bonds, Series 2006A (the “Series 2006A Bonds”); and

WHEREAS, in order to (i) finance renovation of shell space to create an urgent care department within the Hospital (the “Project”); (ii) advance refund the 2013-2023 maturities of the Series 2003B Bonds, which are presently outstanding in the principal amount of \$3,480,000 (the “Refunding”); (iii) pay costs of issuance of the Series 2012 Bonds defined hereinafter and (iv) fund a deposit to the Reserve Account, if necessary, the Issuer has determined it is necessary

and expedient for the Issuer to issue its Gross Revenue Health Facilities Bonds, Series 2012 (the “Series 2012 Bonds”) in the aggregate principal amount of \$4,120,000, as hereinafter provided; and

WHEREAS, the Issuer has conducted a public hearing on the date hereof following publication of notice pursuant to the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the Board reasonably expects that the gross revenues from the Health Facilities (as hereinafter defined) will be sufficient to pay the debt service on the Series 2006A Bonds, the Series 2012 Bonds and any Additional Bonds issued pursuant to Article III hereof as the same becomes due; and

WHEREAS, the Bonds (as hereinafter defined) and the interest accruing thereon are payable solely from the gross revenues of the Health Facilities, all in accordance with the Act (as hereinafter defined), and do not give rise to a charge against the general credit or taxing powers of the Issuer, and neither the full faith and credit nor the taxing powers of the Issuer are pledged for the payment of the Bonds or interest thereon; and

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Kanabec County, Minnesota, as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. In addition to the words and terms elsewhere defined in this Resolution, including the foregoing recitals, the following words and terms as used in this Resolution shall have the following meanings unless the context or use indicates another or different meaning or intent:

“Act” means Minnesota Statutes, Sections 447.45 through 447.50, as from time to time amended.

“Additional Bonds” means Bonds issued by the Issuer pursuant to Article III hereof subsequent to the issuance of the Series 2012 Bonds.

“Bond Counsel” means an attorney or law firm selected by the Issuer which is nationally recognized for its opinions relating to municipal tax-exempt financing matters.

“Bondholder” or “Holder,” with reference to any Bond, means the owner of such Bond, determined in accordance with the Resolution.

“Bonds” means the Series 2006A Bonds, the Series 2012 Bonds and any Additional Bonds.

“Clinic” means the family practice clinic located adjacent to the Hospital.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consultant” means a person engaged in the business of consulting, whether or not such Person’s principal business, selected by the Issuer, having the skill and experience necessary to render the particular report or service required and having a favorable and nationally or regionally recognized reputation for such skill and experience.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, unless otherwise expressly provided herein, may include legal counsel for the Issuer.

“Default Rate” means 6.00%.

“Escrow Obligations” means, with respect to any obligation which secures all or a portion of a series of Bonds, the obligations permitted by law to be used to defease such series of Bonds or portion thereof.

“Expenses” means, for any period, the aggregate of all expenses of the Health Facilities calculated under generally accepted accounting principles for such period, exclusive of (i) interest on Long-Term Indebtedness, (ii) depreciation and amortization and (iii) extraordinary expenses (including without limitation losses on the sale of assets other than in the ordinary course of business and losses on the extinguishment of debt).

“Financed Facilities” means the portion of the Health Facilities financed or refinanced with proceeds of the Series 2012 Bonds.

“Financial Advisor” means a certified public accountant or firm of certified public accountants, or municipal financial advisor or firm of municipal financial advisors, selected by the Issuer.

“Fiscal Year” means the period January 1 through December 31, or such other consecutive 12-month period as is selected by the Issuer as the fiscal year for the Health Facilities.

“Gross Revenues” means, for any period, with respect to the Health Facilities, the sum of (a) gross patient service revenues less contractual allowances and provisions for uncollectible accounts, free care and discounted care, plus (b) other operating revenues, plus (c) non-operating revenues available for the payment of operation and maintenance expenses and debt service on Long-Term Indebtedness, all as determined in accordance with generally accepted accounting principles.

“Health Facilities” means collectively, the Hospital, the Clinic and any future additions thereto, modifications and replacements thereof.

“Hospital” means the municipal hospital owned and operated by the Issuer, including any future additions thereto, modifications and replacements thereof and further including any off-site satellite facilities or properties operated in conjunction therewith, but not including any nursing facility, assisted living facility or any related medical facility as defined in the Act.

“Income Available for Debt Service” means, for any period, the excess of Gross Revenues over Expenses of the Health Facilities.

“Insurance Consultant” means a Person qualified to survey risks and to recommend insurance coverage for hospital facilities and services of the type involved, and having a favorable reputation for skill and experience in such surveys and such recommendations, and which may include a broker or agent with whom the Issuer normally transacts business.

“Long-Term Indebtedness” means indebtedness having an original stated maturity or term greater than one year or renewable at the option of the debtor for a period greater than one year from the date of original issuance.

“Material Adverse Change” means the occurrence of any event or change which causes or results in a material and adverse change in the business, condition (financial or otherwise) or operations of the Hospital or any event that (i) causes or results in a material adverse change in or a material adverse effect on (a) the validity or enforceability of any of this resolution, (b) any of the rights, security, interest or remedies available to the Purchaser under this resolution or (ii) could reasonably be expected to have a material adverse effect on the ability of the County or Hospital to timely perform its obligations hereunder.

“Net Proceeds” means, when used with respect to any insurance or condemnation award or sale consummated under threat of condemnation, the gross proceeds from the insurance or condemnation award or sale with respect to which that term is used less all expenses incurred in the collection of such gross proceeds.

“Outstanding” means, when used with respect to the Bonds, all Bonds which have been duly issued, authenticated and delivered by the Issuer under this Resolution, except:

- a. Bonds canceled after purchase in the open market or because of payment at or before maturity;
- b. Bonds for the payment or redemption of which cash or Escrow Obligations shall have been theretofore deposited with an escrow agent authorized by law (whether upon or prior to the maturity or redemption date of any such Bonds), provided that if such Bonds are to be prepaid or redeemed, notice of such prepayment or redemption shall have been given or irrevocable arrangements shall have been made therefor;
- c. Bonds in lieu of which others have been authenticated hereunder; and
- d. Bonds held by the Issuer.

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

“Principal and Interest Requirements” means, for any Fiscal Year, the amount required to pay the principal of and interest on all Outstanding Bonds coming due during such Fiscal Year, to be determined on the assumption that each Outstanding Bond which is a serial bond is to be paid on its stated maturity date and each Outstanding Bond which is a term bond is to be paid on

a sinking fund payment date according to the mandatory redemption requirements established at the time of issuance of such term bonds.

“Purchaser” means The Bank of Nevada, in Phoenix, Arizona.

“Refunded Bonds” means the 2013 through 2023 maturities of the Series 2003B Bonds.

“Refunding” means the refunding of the 2013 through 2023 maturities of the Refunded Bonds.

“Series 2003B Bonds” means the Gross Revenue Health Facilities Bonds, Series 2003B, originally dated as of March 1, 2003 and issued by the Issuer.

“Series 2006A Bonds” means the Gross Revenue Health Care Facilities Bonds, Series 2006A, dated, as originally issued, as of March 28, 2006, and issued by the Issuer.

“Series 2012 Bonds” means the Gross Revenue Health Facilities Bonds, Series 2012, dated, as originally issued, as of the date of issuance thereof.

ARTICLE II AUTHORIZATION, SALE AND TERMS OF SERIES 2012 BONDS

Section 2.1 Sale. This Board hereby authorizes the issuance and sale of the Series 2012 Bonds to provide funds for the purposes described in the recitals hereto. The Issuer has retained Ehlers & Associates, Inc., an independent financial advisor, and Piper Jaffray & Co., as placement agent, to assist the Issuer in connection with the sale of the Series 2012 Bonds. The Refunded Bonds are expected to be called for redemption and prepayment on August 1, 2013 (the “Redemption Date”). The refunding of the Refunded Bonds is being carried out for the purposes described in Minnesota Statutes, Section 475.67, subdivision 3, section (b)(2)(i) and in compliance with Minnesota Statutes, Chapter 475. As of the date of issuance of the Bonds, the present value of the debt service on the portion of the Bonds allocated to the Refunding (the “Refunding Bonds”), computed to their stated maturity dates, after deducting any premium, is lower by at least \$322,480.70 (not less than 3%) than the present value of the debt service on the Refunded Bonds, exclusive of any premium, computed to their stated maturity dates, using the yield of the Bonds as the discount rate. This Board hereby authorizes the sale of the Series 2012 Bonds to the Purchaser, upon the terms provided herein.

Section 2.2 Title; Original Issue Date; Maturity and Interest. The Series 2012 Bonds shall be dated December 14, 2012, as the date of original issue and shall be issued forthwith on or after such date in fully registered form. The Series 2012 Bonds shall mature on February 1, 2023 and shall bear interest until maturity or earlier redemption at the rate per annum of 2.60%, except that in the event the Issuer fails to make any payment hereunder, the interest rate shall be adjusted to the Default Rate from and after the date of such nonpayment until such default is cured.

All dates are inclusive. Interest shall be payable semiannually on February 1 and August 1 in each year, commencing February 1, 2013. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 2.3 Redemption. (a) *Optional*. Series 2012 Bonds shall be subject to redemption, at the option of the Issuer, in whole or in part, and if in part by lot as selected by the Registrar in multiples of \$5,000 on any date, at a price equal to the principal amount thereof plus interest accrued to the date of redemption. Series 2012 Bonds redeemed under this provision shall be credited against the mandatory redemption schedule set forth in paragraph (b) of this section in the years and amounts specified by the Issuer. If the Issuer does not so specify, optional redemption will be credited to the mandatory redemption schedule in inverse order of payment dates.

Series 2012 Bonds are also subject to redemption, in whole or in part, on any date, at a price equal to the principal amount thereof plus interest accrued to the date of redemption from Net Proceeds of insurance or condemnation awards available for such purpose pursuant to Section 5.4 hereof.

(b) *Mandatory*. Series 2012 Bonds shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.3 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts of such Bonds:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2013 | \$165,000 |
| 2014 | 180,000 |
| 2015 | 190,000 |
| 2016 | 190,000 |
| 2017 | 195,000 |
| 2018 | 490,000 |
| 2019 | 510,000 |
| 2020 | 525,000 |
| 2021 | 540,000 |
| 2022 | 560,000 |

The remaining \$575,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2023. The allocation of the Series 2012 Bonds between the Refunding Bonds and the Improvement Bonds, as hereinafter defined, shall be as shown on Exhibit A hereto.

Notice of redemption shall be given as provided in Section 2.4.

Section 2.4 Procedure for Redemption. The Issuer shall cause notice of a call for redemption thereof to be published if and as required by law, and at least thirty and not more than sixty days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the registered holders of any Bonds to be redeemed at their addresses as they appear on the bond register described in Section 2.9 hereof, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the

redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, except in the case of mandatory redemption under Section 2.3(b) hereof, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

Section 2.5 Reserved.

Section 2.6 Form of Bond. The Series 2012 Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
KANABEC COUNTY

GROSS REVENUE HEALTH FACILITIES BOND, SERIES 2012

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date Of Original Issue</u> | <u>Cusip</u> |
|----------------------|----------------------|-------------------------------|--------------|
| As described herein | February 1, 2023 | December 14, 2012 | None |

REGISTERED OWNER: THE BANK OF NEVADA

PRINCIPAL AMOUNT: FOUR MILLION ONE HUNDRED TWENTY THOUSAND DOLLARS

KANABEC COUNTY, MINNESOTA (the "Issuer"), hereby acknowledges that it is indebted and for value received promises to pay to the registered owner specified above, or registered assigns, in the manner hereinafter set forth, the principal amount specified above, on the maturity date specified above, unless called for earlier redemption, and to pay interest thereon semiannually on February 1 and August 1 of each year (each, an "Interest Payment Date") commencing February 1, 2013, at the rate per annum described herein (calculated on the basis of a 360-day year of twelve 30-day months) until the principal sum is paid or has been provided for, subject to earlier redemption. This Bond will bear interest from the most recent Interest Payment Date to which interest has been paid or, if no interest has been paid, from the date of original issue hereof, at a rate equal to 2.60%, except that in the event the Issuer fails to make any payment hereunder, the interest rate shall be adjusted to 6.00% from and after the date of such nonpayment until such default is cured. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the office of the Issuer's Auditor / Treasurer, in Mora, Minnesota (the "Bond Registrar"), acting as paying agent, or any successor paying agent duly appointed by the Issuer. Interest on this Bond will be paid on each Interest Payment Date by check or draft mailed (or, in the case of a Holder of \$1,000,000 or more of Bonds, wire transfer) to the person in whose name this Bond is registered (the "Holder" or "Bondholder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon as of the fifteenth day of the calendar month (whether or not a business day) next preceding such Interest Payment Date.

The principal of and premium, if any, and interest on this Bond are payable in lawful money of the United States of America.

Bonds are subject to redemption and prepayment in whole or in part at the option of the Issuer, and if in part, by lot as selected by the Registrar in multiples of \$5,000 on any date at a price of the principal amount thereof plus accrued interest to the date of redemption.

The Bonds are also subject to redemption and prepayment, in whole or in part, on any date, at a price equal to the principal amount thereof plus interest accrued to the date of redemption from Net Proceeds of insurance or condemnation awards available for such purpose pursuant to the provisions of the Resolution (as hereinafter defined).

Bonds shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on February 1 in each of the years shown below, in an amount equal to the following principal amounts:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2013 | \$165,000 |
| 2014 | 180,000 |
| 2015 | 190,000 |
| 2016 | 190,000 |
| 2017 | 195,000 |
| 2018 | 490,000 |
| 2019 | 510,000 |
| 2020 | 525,000 |
| 2021 | 540,000 |
| 2022 | 560,000 |

The remaining \$575,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2023.

At least thirty days prior to the date set for redemption of any Bond, notice of the call for redemption will be mailed, by first-class mail, to the Bond Registrar and to the registered owner of each Bond to be redeemed at his address appearing in the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected thereby. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, except in the case of mandatory sinking fund redemption as described above, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount.

This Bond has been issued pursuant to and in full conformity with the Constitution and laws of the State of Minnesota and pursuant to a resolution adopted by the Board of the Issuer on December 5, 2012 (the "Resolution"), for the purpose of (i) providing money to finance a portion

of the cost of improvements to the municipal hospital located at 300 Clark Street in the City of Mora, Minnesota and (ii) together with certain funds remaining in the Reserve Account described in the Resolution and allocable to the Series 2003B Bonds, refunding the 2013 through 2023 maturities of the Issuer's Gross Revenue Health Facilities Bonds, Series 2003B. The Bonds are payable from the Gross Revenue Bond Account of the Hospital Fund of the Issuer, to which have been pledged, as a first and prior lien thereon, the Gross Revenues of the Health Facilities (as defined in the Resolution). No Holder of this Bond shall ever have the right to compel any exercise of the full faith and credit and taxing power of the Issuer to pay this Bond or the interest hereon, or to enforce payment thereof against any property of the Issuer other than the Gross Revenues so pledged.

Additional Bonds may be issued and made payable on a parity with the Bonds from the Gross Revenue Bond Account upon the terms and conditions provided in the Resolution. Except as so provided, no additional bonds or other long-term indebtedness may be issued or incurred unless said bonds or other indebtedness are made payable from the net revenues of the Health Facilities remaining after the requirements of the Gross Revenue Bond Account, Reserve Account, Operating Account and Depreciation and Replacement Account, as set forth in the Resolution, have been satisfied.

The Bonds have been designated as "qualified tax exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986.

The Holders of twenty-five percent (25%) or more in aggregate principal amount of Bonds at any time outstanding may, either by law or in equity, by suit, action, or other proceedings, protect and enforce the rights of all Holders of Bonds then outstanding, or enforce and compel the performance of any and all of the covenants and duties specified in the Resolution to be performed by the Issuer or its officers and agents.

The Bonds are issuable solely as fully registered bonds of a single maturity and are exchangeable for fully registered Bonds in equal aggregate principal amounts at the principal office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Resolution. Reference is hereby made to the Resolution for a description of the rights and duties of the Bond Registrar. Copies of the Resolution are on file in the offices of the Issuer.

This Bond is transferable by the Holder in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof in person or by the owner's attorney duly authorized in writing at the principal office of the Bond Registrar upon presentation and surrender hereof to the Bond Registrar, all subject to the terms and conditions provided in the Resolution and to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar. Thereupon the Issuer shall execute and the Bond Registrar shall authenticate and deliver, in exchange for this Bond, one or more new fully registered Bonds in the name of the transferee (but not registered in blank or to "bearer" or similar designation), in aggregate principal amount equal to the principal amount of this Bond.

The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of this Bond and any legal or unusual costs regarding transfers and lost Bonds.

The Issuer and the Bond Registrar may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security unless the Certificate of Authentication hereon shall have been executed by the Bond Registrar.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to happen and to be performed, precedent to and in the issuance of this Bond, have been done, have happened and have been performed, in regular and due form, time and manner as required by law, and this, together with all other debts of the Issuer outstanding on the date of its issuance and delivery to the original purchaser does not exceed any constitutional or statutory limitation of indebtedness; and that the Issuer will maintain such operating policies relating to the Health Facilities (as defined in the Resolution) so as to produce Gross Revenues (as defined in the Resolution) at least sufficient to meet the annual principal and interest requirements of all Bonds payable from such Gross Revenues and, after payment of such principal and interest, sufficient to maintain the required balance in the Reserve Account securing the Bonds and certain other obligations of the Issuer and to pay the normal expenses of operation and maintenance of the Health Facilities; and that the Issuer will provide in its budget each year for any anticipated deficiency in the remaining Gross Revenues available for operation and maintenance of the Health Facilities.

IN WITNESS WHEREOF, Kanabec County, Minnesota, has caused this Bond to be executed in its behalf by the facsimile signatures of its Chair and its County Coordinator, the corporate seal of the Issuer having been intentionally omitted as permitted by law.

Date of Registration: _____

KANABEC COUNTY, MINNESOTA

(Facsimile - County Coordinator)

(Facsimile - Chairperson)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

COUNTY AUDITOR / TREASURER, as
Registrar

By _____
Authorized Representative

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants
in common

UTMA. . . . as Custodian for. . . .
(Cust) (Minor)

under Uniform Transfers to Minors Act.
(State)

TEN ENT — as tenants by entireties

JT TEN — as joint tenants with right of
survivorship and not as tenants in common
Additional abbreviations may also be used.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the
within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Bond on the
books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

PLEASE INSERT SOCIAL SECURITY
NUMBER OR OTHER IDENTIFYING
NUMBER OF ASSIGNEE:

Signature Guaranteed:

Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Bond Registrar, which requirements include membership or participation in STAMP or such other “signature guaranty program” as may be determined by the Bond Registrar in addition to or in substitution for STAMP,

all in accordance with the Securities Exchange Act of 1934, as amended.

[End of Form of Bond]

Section 2.7 Execution, Authentication and Delivery. The Series 2012 Bonds shall be prepared under the direction of the County Coordinator and shall be executed on behalf of the Issuer by the signatures of the Chair and the County Coordinator, provided that said signatures may be printed, engraved, or lithographed facsimiles thereof. The seal of the Issuer need not be used in the execution of the Series 2012 Bonds. In case any officer whose signature, or a facsimile of whose signature, shall appear on the Series 2012 Bonds shall cease to be such officer before the delivery of any Series 2012 Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Series 2012 Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this resolution unless and until a certificate of authentication on such Series 2012 Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Series 2012 Bonds need not be signed by the same representative. The executed certificate of authentication on each Series 2012 Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Series 2012 Bonds have been so executed and authenticated, they shall be delivered by the County Coordinator to the Purchaser upon payment of the purchase price, and the Purchaser shall not be obligated to see to the application of the purchase price.

Section 2.8 Appointment of Initial Registrar. The Issuer hereby appoints the County Auditor / Treasurer as the initial Registrar. The Issuer reserves the right to remove any Registrar upon 30 days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession as Registrar to the successor Registrar and shall deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of this Board, the County Coordinator shall transmit to the Registrar, from the Bond Fund described in Section 4.1, moneys sufficient for the payment of all principal and interest then due.

Section 2.9 Registration; Transfer; Exchange. The Issuer will cause to be kept at the principal office of the Bond Registrar a bond register in which, subject to such reasonable regulations as the Bond Registrar may prescribe, the Bond Registrar shall provide for the registration of Series 2012 Bonds and the registration of transfers of Series 2012 Bonds entitled to be registered or transferred as herein provided. Upon surrender for transfer of any Series 2012 Bond at the principal office of the Bond Registrar, the Issuer shall execute (if necessary), and the Bond Registrar shall authenticate, insert the date of registration and deliver, in the name of the designated transferee or transferees, one or more new Series 2012 Bonds, as requested by the transferor, provided, however, that no Series 2012 Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Series 2012 Bonds may be exchanged upon surrender of the Series 2012 Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Series 2012 Bonds are so surrendered for exchange, the Issuer shall execute (if necessary), and

the Bond Registrar shall authenticate, insert the date of registration of, and deliver the Series 2012 Bonds which the Holder making the exchange is entitled to receive.

All Series 2012 Bonds surrendered upon any exchange or transfer provided for in this resolution shall be promptly canceled by the Bond Registrar and thereafter disposed of as directed by the Issuer. All Series 2012 Bonds delivered in exchange for or upon transfer of Series 2012 Bonds shall be valid special obligations of the Issuer evidencing the same debt, and entitled to the same benefits under this resolution, as the Series 2012 Bonds surrendered for such exchange or transfer. Every Series 2012 Bond presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the transfer or exchange of any Series 2012 Bond. Transfers shall also be subject to reasonable regulations of the Issuer contained in any agreement with the Bond Registrar, including regulations which permit the Bond Registrar to close its transfer books between Record Dates and payment dates.

The Series 2012 Bonds are transferable only in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

Section 2.10 Rights Upon Transfer or Exchange. Each Series 2012 Bond delivered upon transfer of or in exchange for or in lieu of any other Series 2012 Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2012 Bond.

Section 2.11 Interest Payment, Record Date. Interest on any Series 2012 Bond shall be paid on each interest payment date by check or draft mailed (or, in the case of a Holder of \$1,000,000 or more of Bonds, wire transfer) to the person in whose name the Bond is registered (the "Holder") on the registration books of the Issuer maintained by the Bond Registrar and at the address appearing thereon as of the fifteenth (15th) day of the calendar month (whether or not a business day) next preceding such interest payment date (the "Record Date").

Section 2.12 Treatment of Registered Owner. The Issuer and the Bond Registrar may treat the person in whose name any Series 2012 Bond is registered as the owner of such Series 2012 Bond for the purpose of receiving payment of principal of and premium, if any, and interest on, such Series 2012 Bond and for all other purposes whatsoever whether or not such Series 2012 Bond shall be overdue, and neither the Issuer nor the Bond Registrar shall be affected by notice to the contrary.

ARTICLE III ADDITIONAL BONDS

Section 3.1 Additional Bonds. So long as any Bonds are Outstanding, the Issuer will not issue any Additional Bonds payable on a parity with the Bonds then Outstanding from the Gross Revenue Bond Account except in accordance with the following conditions:

- (A) Additional Bonds may be issued if there is filed with the Issuer:

(1) A certificate of a Financial Advisor stating that the Income Available for Debt Service for each of the two most recent Fiscal Years preceding the date of delivery of the certificate was not less than 125% of the maximum Principal and Interest Requirements (including the requirements for the Additional Bonds proposed to be issued) for any future Fiscal Year during the term of all Bonds then Outstanding; or

(2) (a) A certificate of a Financial Advisor stating that the Income Available for Debt Service for each of the two Fiscal Years next preceding the date of delivery of the certificate was not less than 125% of the maximum Principal and Interest Requirements (excluding the Additional Bonds proposed to be issued) for any future Fiscal Year during the term of all Bonds then Outstanding; and (b) a certificate of a Financial Advisor to the effect that the estimated Income Available for Debt Service for each of the next two succeeding Fiscal Years or, if such Additional Bonds are being issued in connection with the financing of improvements to the Health Facilities, the two Fiscal Years succeeding the projected completion date of such improvements, is not less than 125% of the maximum Principal and Interest Requirements (including the Additional Bonds proposed to be issued) for any future Fiscal Year during the term of all Bonds then Outstanding, provided that such certificate shall include forecast balance sheets, statements of revenues and expenses and statements of changes in financial position for each of such two Fiscal Years (which may be in summary form) and a statement of the relevant assumptions upon which such forecasted statements are based.

(B) Additional Bonds may be issued for the purpose of refunding (whether in advance or otherwise, including without limitation refunding through the issuance of crossover refunding bonds) any series of Outstanding Bonds, or portion thereof, if prior to the issuance thereof (i) a certificate of a Financial Advisor is delivered to the Issuer stating that, taking into account the issuance of the proposed Additional Bonds and the application of the proceeds thereof and any other funds available to be applied to such refunding, the Principal and Interest Requirements in any Fiscal Year during the remaining term of all Bonds then Outstanding and not redeemed or defeased in connection with the refunding will not be increased by more than 10% and (ii) the Issuer executes a certificate as of the date of issuance of such Additional Bonds to the effect that no default then exists under this resolution and the Issuer is in compliance with Section 5.2 hereof.

Additional Bonds may be issued under any of the above-referenced subsections with respect to which the tests set forth in such subsection are met and need not be incurred under only a subsection specifically referring to the issuance of Additional Bonds for a specific purpose.

In making the computations under this Section, the financial advisor may reasonably allocate the balance on deposit in the Reserve Account to each series of Outstanding Bonds which are secured by the Reserve Account and assume said allocated balance will be applied toward the payment of the final maturity of any such series.

In determining the Principal and Interest Requirements on Bonds in the course of the various calculations required under the foregoing provisions, and any other provisions of this Resolution, if the terms of the Bonds being considered are such that interest thereon for any future period of time is expressed to be calculated at a varying rate per annum, a formula rate or a fixed rate per annum based on a varying index such that the interest payments on such Bonds at any future date cannot be accurately calculated, the Principal and Interest Requirements shall be calculated as if the average interest rate in effect during the last Fiscal Year preceding the date of calculation was in effect throughout the entire term of the Bonds, or if said Bonds were issued in the same Fiscal Year as the calculation, the Additional Bonds shall be assumed to bear interest at a rate equal to the average fixed rate of interest at which such Additional Bonds could have, as of the sale date, in the opinion of a Financial Advisor, been marketed. Bonds may be converted from one interest rate mode to another payment mode pursuant to the terms of the documents authorizing the issuance of said Bonds, provided that the Bonds were issued in compliance with this Section 3.1 based upon the payment mode in effect on the date of such issuance.

Section 3.2 Subordinate Lien Bonds. Except as provided in Section 3.1 with respect to Additional Bonds, any other Long-Term Indebtedness issued or incurred by the Issuer and made payable from the revenues of the Health Facilities shall be payable from the Surplus Account in the Hospital Fund established pursuant to Section 4.1(f), and from Gross Revenues transferred thereto after the requirements of Sections 4.1(b) through 4.1(e) are met. Any pledge of Gross Revenues to the payment of such Long-Term Indebtedness shall be subordinate to the pledge and appropriation of such Gross Revenues for the purposes of Sections 4.1(b) through 4.1(e).

ARTICLE IV FLOW OF FUNDS

Section 4.1 Hospital Fund; Gross Revenue Bonds. The Issuer shall maintain or cause to be maintained on the official books and records of the Issuer, so long as any Bonds are Outstanding, a Hospital Fund, and the accounts described in paragraphs (a) through (f) hereof, showing all receipts and disbursements of moneys herein pledged and appropriated to the Hospital Fund, and all other financial matters pertaining to the Health Facilities. From and after the issuance of the Bonds, all Gross Revenues of the Health Facilities shall be set aside and are hereby pledged and appropriated to, shall be deposited and credited to the various accounts of the Hospital Fund, and expended as provided in this Section 4.1. All Gross Revenues pledged and appropriated to the Hospital Fund shall be credited as received to the Hospital Fund, and shall be held and invested therein, transferred to other accounts of the Hospital Fund, and disbursed and expended as provided in this Section.

(a) Capital Expenditure Account. There shall be a Capital Expenditure Account which shall be used to record the receipt and disbursement of proceeds of the portion of the Series 2012 Bonds allocable to the Project (the "Improvement Bonds") and any other moneys appropriated for the payment of expenditures which, under generally accepted accounting principles, constitute capital costs necessarily incurred for the acquisition and betterment of the Health Facilities, including but not limited to the cost of land, easements, improvements to land, buildings, structures and capital equipment, and the cost of all architectural, engineering, legal and other professional services, costs of

issuing any Bonds and interest to accrue on Bonds issued to finance such acquisition and betterment prior to the receipt of the revenues therefrom, and other costs reasonably necessary and incidental thereto. Upon the issuance of the Series 2012 Bonds there shall be credited to the Capital Expenditure Account \$500,000 of the proceeds of the Improvement Bonds. The Issuer represents that the total cost of the Project, which shall include all costs enumerated in Minnesota Statutes, Section 475.65, is estimated to be at least equal to the amount of proceeds of the Series 2012 Bonds to be deposited in the Capital Expenditure Account. The Issuer covenants that it shall do all things and perform all acts required of it to assure that work on the Project shall proceed with due diligence to completion. Upon payment of all costs of the Project any proceeds of the Series 2012 Bonds remaining in the Capital Expenditure Account shall be transferred to the Gross Revenue Bond Account.

(b) Gross Revenue Bond Account. To the Gross Revenue Bond Account there is hereby appropriated the accrued interest received on the delivery of the Series 2012 Bonds and unused bond discount, if any. To the Gross Revenue Bond Account there is irrevocably pledged and appropriated and shall be credited on or before the 20th day of each month, an amount of the Gross Revenues equal to one-sixth of the amount of interest to become due in the next six months, and one-twelfth of the amount of principal to become due in the next twelve months, on all then Outstanding Bonds payable therefrom, provided that such transfers may be reduced by the amount of any investment income actually received in the Gross Revenue Bond Account, by the amount of any accrued interest deposited therein and by the amount of any excess proceeds of Bonds transferred to the Gross Revenue Bond Account from the Capital Expenditure Account to the extent not previously credited against such transfers. This requirement is cumulative, and if the full amount required cannot be transferred in any month, the deficiency shall be made up from the next Gross Revenues received in the Gross Revenue Account. The Gross Revenue Bond Account shall be used only to pay the principal of and interest on the Bonds issued and made payable therefrom. The balance on hand in the Gross Revenue Bond Account on each interest payment date will be used first pro rata to pay the interest then due on all Bonds payable therefrom, and second to pay the principal of the Bonds maturing or subject to scheduled mandatory sinking fund redemption in order of their maturity dates or scheduled mandatory sinking fund payment dates, pro rata with respect to Bonds maturing or subject to mandatory sinking fund payment on the same date.

(c) Reserve Account. The Issuer hereby appropriates to the Reserve Account from proceeds of the Series 2012 Bonds the sum of \$388,446.09, which, together with amounts already on deposit in the Reserve Account, is equal to the lesser of (i) maximum annual debt service on the Outstanding Bonds, (ii) 125% of the average annual debt service on the Outstanding Bonds or (iii) ten percent of the proceeds of the Outstanding Bonds (the "Reserve Requirement"). The Reserve Account shall be maintained at the Reserve Requirement by the retention of interest earnings therein and/or the transfer thereto of Gross Revenues in excess of the requirements of the Gross Revenue Bond Account whenever and to the extent necessary, or if such Gross Revenues are not sufficient for this purpose, then such transfer will be made from the balance then on hand in the Depreciation and Replacement Account or Surplus Account. Except as provided

below, when and if the balance in the Reserve Account is more than the Reserve Requirement, the excess shall be transferred to the Gross Revenue Bond Account. Moneys on hand in the Reserve Account shall be used only to pay interest or principal actually due on Bonds when, if and to the extent that such interest or principal cannot be paid in full from the Gross Revenue Bond Account, provided that the amount of the Reserve Account allocable to any issue of Bonds may be used at any time to discharge such issue of Bonds in accordance with Section 6.1, so long as the balance remaining on hand in the Reserve Account following such use is not less than the Reserve Requirement with respect to Outstanding Bonds which continue to be payable from the Gross Revenue Bond Account. The balance in the Reserve Account shall be deemed to be the sum of all cash plus the outstanding principal amount of all securities held in the Reserve Account.

In the event Additional Bonds are issued pursuant to the provisions of Section 3.1 hereof, the Reserve Requirement shall be adjusted to equal the lesser of (i) the maximum annual debt service payable in any future Fiscal Year with respect to the Outstanding Bonds payable from the Gross Revenue Bond Account, (ii) 125% of the average annual debt service for future Fiscal Years with respect to the Outstanding Bonds payable from the Gross Revenue Bond Account or (iii) ten percent of the proceeds of the Outstanding Bonds issued and made payable from the Gross Revenue Bond Account.

(d) Operating Account. To the Operating Account there shall be credited each month, an amount of the Gross Revenues remaining in the Hospital Fund, after the transfers required by Sections (b) and (c) have been made, as are needed to pay, promptly when due, all Expenses of the Health Facilities and to maintain an operating reserve therein of not less than two months of normal Expenses. To the Operating Account there shall also be credited, to the extent necessary, any additional funds, other than Gross Revenues, which are appropriated by the Board for payment of such Expenses. The Issuer covenants and agrees that upon the occurrence of a deficiency in the Operating Account which cannot be restored forthwith from the Depreciation and Replacement Account, the Surplus Account or other available Issuer funds appropriated by the Board for this purpose, it will include in its next annual budget an amount sufficient to restore such deficiency, shall levy ad valorem taxes on all taxable property within the Issuer to the extent necessary and permitted by law to raise such funds and shall appropriate such amount to the Operating Account.

(e) Depreciation and Replacement Account. To the Depreciation and Replacement Account there shall be transferred such amount of the Gross Revenues remaining in the Hospital Fund after the transfers required by paragraphs (b) through (d) hereof have been made, as will establish a balance therein in an amount determined by the Board to be needed to finance repairs, replacements, improvements and additions to the Health Facilities. Moneys on hand in the Depreciation and Replacement Account may be expended for these purposes, provided that all moneys on hand therein shall always be available and used first to restore any deficiency in the accounts established in paragraphs (b) through (d) hereof.

(f) Surplus Account. To the Surplus Account there may be transferred such amount of the Gross Revenues on hand in the Hospital Fund as are not needed to meet the requirements of the Gross Revenue Bond Account, the Reserve Account, the Operating Account and the Depreciation and Replacement Account. Moneys on hand in the Surplus Account shall always be available and used first to restore any deficiency in the Accounts established in paragraphs (b) through (e) hereof. Moneys on hand in the Surplus Account which are not needed for this purpose may be expended for any other lawful purpose specified by resolution of the Board or the Hospital Board of the Issuer.

In addition, \$3,147,982.04 of the proceeds of the Series 2012 Bonds shall be deposited with U.S. Bank National Association, as escrow agent pursuant to an Escrow Agreement and applied, together with amounts remaining in the Reserve Account allocable to the Series 2003B Bonds, to the payment of amounts due with respect to principal of and interest on the Series 2003B Bonds to and including their date of redemption (August 1, 2013) in accordance with the resolution authorizing their issuance.

Section 4.2 Investments. All funds on hand in the Hospital Fund shall be deposited or invested in accordance with Minnesota Statutes, Chapter 118A, provided that each investment held in the Reserve Account shall have a maturity date, or be redeemable at the option of the holder, within five years of the date of its purchase and all investments acquired for the Reserve Account shall be acquired with a de minimis amount of discount or premium (as defined in Section 1.148-1(b) of the Income Tax Regulations (the "Regulations")). All securities so purchased shall mature at or before the time when it is estimated that the proceeds thereof will be needed for the purposes of the Account from which funds are withdrawn for the purchase. Except as otherwise specified herein, all income, gain and loss on such investments will be credited or charged, as the case may be, to the Account from which the investment was made.

ARTICLE V CERTAIN COVENANTS RELATING TO OPERATION OF THE HEALTH FACILITIES

Section 5.1 Operating Covenants; Sale or Conveyance; Leases and Operating Agreements. So long as the Bonds are Outstanding, the Issuer agrees that:

(1) It will not sell or convey all or substantially all of the Health Facilities to any Person.

(2) It will not lease all or any portion of the Health Facilities to any Person, or enter into any management or operating agreement or contract with any Person with respect to all or any portion of the Health Facilities unless it first obtains an opinion of Bond Counsel that the proposed lease, agreement or contract will not cause the interest on the Bonds to become includible in gross income for federal income tax purposes. Any lease of all or substantially all of the Health Facilities shall also comply with the provisions of the Act, including the requirement that the lessee pay net rentals sufficient to pay when due the principal of and interest on all revenue bonds issued to acquire, improve and refinance the leased facilities and maintain the Reserve Account at the Reserve Requirement. The lessee shall not be required to deposit the Gross Revenues or Gross Receipts of the Health Facilities in the Gross Revenue Bond Account.

(3) It will cause the Health Facilities and each part thereof to be maintained, preserved and kept in good repair, working order and condition and in as safe condition as its operations will permit and make all necessary and proper repairs (interior and exterior, structural and non-structural, ordinary as well as extraordinary and foreseen as well as unforeseen), renewals and replacements thereof so that its operations and business shall at all times be conducted in an efficient, proper and advantageous manner. No building or buildings constituting a part of the Health Facilities shall be demolished or removed nor shall any material alteration to the Health Facilities be made which would substantially impair the structural strength or operating efficiency of the Hospital or significantly impair the revenue-producing capability of the Health Facilities or adversely affect the ability of the Issuer to comply with the terms of this Resolution.

(4) It will at all time uses its best efforts to maintain and operate the Health Facilities to meet the standards and requirements and provide health care of such quality and in such manner as shall enable the Health Facilities to participate in, and provide services in connection with, recognized medical insurance and other third-party payor programs, and the Issuer represents that it presently complies therewith and agrees that, so long as the Health Facilities shall remain a qualifying medical facility under such recognized programs, it will use its best efforts to comply with the standards and requirements for remaining a qualifying medical facility thereunder, unless the Issuer shall determine that, in the opinion of the Board, it is not in the best interests of the Issuer and the Hospital so to comply.

(5) It will own the Health Facilities and operate, or cause the Health Facilities to be operated, as a public hospital open to all members of the general public on a substantially equal basis. It will conform to all applicable federal and state laws prohibiting discrimination based on race, religion, creed, color, age, sex, handicap or national origin in the operation of the Health Facilities. It will not use the Health Facilities or any part thereof for sectarian instruction nor will it use the Health Facilities primarily as a place of religious worship, nor will it use any of the proceeds of the Bonds to provide facilities or equipment for any religious instruction or worship activities.

(6) It not transfer or convey to any other Person any assets of the Health Facilities without consideration or for consideration less than fair market value unless such transfer or conveyance is required by law. The Issuer may remove items of

equipment and other property from the Health Facilities and dispose of such items and property, but shall install replacement items of equipment and property to the extent required to maintain the operating efficiency of the Health Facilities.

Section 5.2 Rates and Charges. The Issuer covenants and agrees to operate the Health Facilities on a revenue producing basis and to charge such fees and rates for its facilities and services and to exercise such skill and diligence as to provide Gross Revenues from the Health Facilities sufficient with other available funds to pay promptly all payments of principal and interest on the Bonds, all expenses of operation, maintenance and repair of the Health Facilities and all other payments required to be made by it hereunder to the extent permitted by law. Such revenues and any rentals received by the Issuer for the Health Facilities are pledged to the Holders of the Bonds as required by Section 447.48 of the Act. The Issuer further covenants and agrees that it will from time to time as often as necessary and to the extent permitted by law, revise its rates, fees and charges in such manner as may be necessary or proper to comply with the provisions of this Section (and to assure, in any event, that the Income Available for Debt Service for each Fiscal Year is never less than 125% of the Principal and Interest Requirements during such Fiscal Year).

If in any Fiscal Year the Income Available for Debt Service is less than 125% of the Principal and Interest Requirements, the Issuer shall (except as provided in the next paragraph) retain a Consultant to make recommendations with respect to the rates, fees and charges of the Health Facilities and the Issuer's methods of operation and other factors affecting its financial condition in order to increase such Income Available for Debt Service to at least 125% of the Principal and Interest Requirements, provided that the Issuer shall not be required to follow the recommendations of any such Consultant if it determines that it is in the best interests of the Health Facilities and Issuer not to do so.

The foregoing provisions notwithstanding, if in any Fiscal Year the Income Available for Debt Service is less than 125% of the Principal and Interest Requirements, the Issuer shall not be obligated to retain a Consultant to make recommendations if:

(A) the failure to attain 125% coverage is for one Fiscal Year, not for two or more successive Fiscal Years, and the Issuer attained at least 110% coverage for said Fiscal Year, or

(B) the Board determines by resolution that applicable laws or regulations have prevented the Issuer from generating Income Available for Debt Service during such Fiscal Year in an amount sufficient to equal or exceed 125% of Principal and Interest Requirements and the Issuer has generated the maximum amount of Gross Revenues reasonably practicable given such laws or regulations.

Section 5.3 Insurance. (A) The Issuer shall carry and maintain, or cause to be carried and maintained, and pay or cause to be paid timely the premiums for, at least the following insurance with respect to the Health Facilities and operations:

(1) insurance coverage for buildings and contents including steam boilers, fired-pressure vessels and other machinery for fire, lightning, windstorm and hail,

explosion, riot, riot attending a strike, civil commotion, aircraft and vehicles, sonic shock, smoke, vandalism and malicious mischief, sprinkler leakage, elevator, and all other risks of direct physical loss, on a replacement cost basis in an amount equal to the full insurable value thereof, but in any event not less than an amount sufficient to prevent the Issuer from becoming a co-insurer under any applicable co-insurance clause;

(2) general liability (other than as set forth in (3) below);

(3) if applicable, comprehensive professional liability insurance, including medical liability, malpractice and other similar coverage;

(4) comprehensive automobile liability insurance;

(5) workers' compensation insurance or self-insurance as required by the laws of the State of Minnesota or other applicable law; and

(6) business interruption insurance in such amounts as may be determined to be prudent by the Issuer and Hospital Board.

(B) Each insurance policy required by subsection (A) hereof (1) shall be issued or written by a financially responsible insurer or insurers, or by an insurance fund established by the United States or State of Minnesota or an agency or instrumentality thereof; (2) shall be in such form and with such provisions as are generally considered standard provisions for the type of insurance involved, and (3) shall prohibit cancellation or substantial modification by the insurer without at least thirty days' prior written notice to the Issuer. In lieu of separate policies, the Issuer may maintain blanket policies having the coverage required herein.

(C) The Issuer covenants to review each year the insurance carried by the Issuer with respect to the Health Facilities and operations and, to the extent feasible, will carry insurance insuring against the risks and hazards specified in subsection (A) hereof to the same extent that other governmental entities owning or operating facilities of the size and type comparable to the Health Facilities carry such insurance. In the event that the insurance required by subsection (A) hereof is not available to the Issuer at reasonable cost, and, in any case, every three (3) years from and after March 1, 2015 the Issuer shall employ or cause to be employed an Insurance Consultant for the purpose of reviewing the insurance coverage of, and the insurance required for, the Health Facilities and its operations and making recommendations respecting the types, amounts and provisions of insurance that should be carried with respect to the Health Facilities and its operations. A signed copy of the report of the Insurance Consultant shall be filed with the Issuer and the insurance requirements specified hereunder shall be deemed modified or superseded as necessary to conform with the recommendations contained in said report.

(D) The Issuer may, by resolution of the Board, elect to substitute a self-insurance program for any of the insurance required to be maintained pursuant to subsection (A) hereof. The Issuer shall comply with all Medicare regulations governing any self-insurance, and shall at all times maintain such self-insurance program in such a manner as to be eligible for reimbursement under Medicare or any successor program or

programs, regardless of whether the Issuer is a provider of care thereunder. If the Issuer establishes a self-insurance program pursuant to this subsection (D), the Issuer shall, annually, employ or cause to be employed a Consultant for the purpose of reviewing such program and making recommendations with respect thereto in the same manner as is provided in subsection (C) hereof with respect to the insurance coverage maintained by the Issuer. The provisions of subsection (C) with respect to the effect of the recommendations of such Insurance Consultant shall apply equally to the report of the Consultant with respect to any self-insurance program.

Section 5.4 Damage or Destruction or Condemnation; Use of Proceeds. The Net Proceeds received by the Issuer as a result of any damage, destruction or condemnation of the Health Facilities shall be used as follows:

(A) Repair and Restoration. Unless the Issuer elects to redeem or defease all Outstanding Bonds, the Issuer shall proceed, to the extent necessary to insure the efficient operation of the Health Facilities at a level sufficient to produce Gross Revenues enabling the Issuer to meet its obligations under this Resolution, to use such Net Proceeds to replace, repair, reconstruct, restore or improve the Health Facilities or repay indebtedness incurred for any such purpose pending the receipt of such Net Proceeds.

(B) Redemption of Bonds. To the extent Net Proceeds remain after the repair, reconstruction, restoration and improvement undertaken pursuant to subsection (A) above, the Issuer may elect to use the Net Proceeds to optionally redeem Series 2012 Bonds in accordance with Section 2.3 hereof, or to optionally redeem other Bonds payable from the Gross Revenue Bond Account to the extent permitted by the terms thereof. If the Health Facilities are not restored pursuant to subsection (A), the Issuer shall use the Net Proceeds to redeem the Bonds on a pro rata basis.

Section 5.5 Books and Records. The Issuer will cause proper and adequate books of record and account to be maintained with respect to the Health Facilities, reflecting all receipts and disbursements and all accrued claims and expenses in connection with the operation and maintenance of the Health Facilities, and the payment of obligations incurred therefor, and will make such records available for inspection at all reasonable times by the Holder of any Bonds or the Holder's agent or attorney, and will cause them to be audited with respect to each Fiscal Year by a certified public accountant, and will furnish the report of each such audit without cost to the initial purchaser of each series of Bonds issued under the provisions hereof, including the Purchaser, and will make the report available, upon request, to the Holder of any Bonds. The Issuer will further, within 30 days of preparation thereof, provide the Purchaser a copy of its annual budget and notice of any Material Adverse Change.

ARTICLE VI DEFEASANCE, REMEDIES, TAX COVENANTS

Section 6.1 Defeasance. When all Bonds, or any series thereof, made payable from the Gross Revenue Bond Account have been discharged as provided in this Section 6.1, all pledges, covenants and other rights granted by this resolution to the Holders of such Bonds shall cease.

The Issuer may discharge all Bonds which are due on any date by depositing with the paying agent or agents for such Bonds on or before that date a sum sufficient for the payment thereof in full; or if any Bond shall not be paid when due, it may nevertheless be discharged by depositing with the paying agent a sum sufficient for the payment thereof in full with interest accrued to the date of such deposit. The Issuer may also discharge any prepayable Bonds which are called for redemption on any date in accordance with their terms, by depositing with the paying agent or agents on or before that date an amount equal to the principal, interest and redemption premium, if any, which are then due thereon, provided that notice of such redemption has been duly given as provided in the resolution authorizing such Bonds. The Issuer may also at any time discharge any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank or trust company qualified by law as an escrow agent for this purpose, cash or securities which are authorized by Minnesota Statutes, Section 475.67, subd. 8, to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates as shall be required to provide funds sufficient to pay all principal, interest and redemption premiums, if any, to become due on all Bonds of the series on and before their maturity, or, if some or all Bonds of the series are to be called for redemption, to their earlier redemption date.

Section 6.2 Bondholder Remedies. The Holders of twenty-five percent (25%) or more in aggregate principal amount of all Outstanding Bonds may, either at law or in equity, by suit, action, or other proceedings, protect and enforce the rights of all Holders of all Outstanding Bonds or enforce or compel the performance of any and all of the covenants and duties specified in this Resolution, to be performed by the Issuer or their officers and agents, including the fixing and maintaining of rates and charges and the collection and proper segregation of revenues and the application and use thereof, provided, however, that nothing herein shall affect or impair the right of the Holder of any Bond to enforce the payment of the principal of and interest on any Bond at and after the maturity or mandatory redemption thereof, or the obligation of the Issuer to pay the principal of and interest on each of the Bonds issued hereunder to the respective Holders thereof at the time and place, from the source and in the manner provided in the Bonds.

Section 6.3 General Tax Covenant. The Issuer covenants and agrees with the registered owners from time to time of the Series 2012 Bonds that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest payable on the Series 2012 Bonds to become subject to taxation under the Code and regulations issued thereunder, in effect at the time of such action, and that it will take, or it will cause its officers, employees or agents to take, all affirmative actions within its powers which may be necessary to ensure that such interest will not become subject to taxation under the Code and applicable Treasury Regulations, as presently existing or as hereafter amended and made applicable to the Series 2012 Bonds.

Section 6.4 Specific Tax Covenants. In order to ensure that the interest on the Series 2012 Bonds shall at all times be not includable in gross income for purposes of federal income taxation, the Issuer specifically represents, warrants and covenants with the Registrar and all Holders from time to time of the Series 2012 Bonds:

- (a) that it will fulfill all conditions specified in Section 103 and 141 through 150 of the Code and applicable Treasury Regulations as necessary to maintain the tax-exempt status of the interest borne by the Series 2012 Bonds;
- (b) that all of the Financed Facilities are and will be owned and operated by a governmental unit or organizations described in Section 501(c)(3) of the Code;
- (c) that less than five percent (5%) of the net proceeds of the Series 2012 Bonds will be used to provide property used either (i) by an organization described in Section 501(c)(3) of the Code in an activity which constitutes an unrelated trade or business, or (ii) in a trade or business by a Person other than an organization described in Section 501(c)(3) of the Code or a governmental unit (within the meaning of Section 141 of the Code);
- (d) that not more than two percent (2%) of the Series 2012 Bonds will be applied to the payment of “issuance costs” within the meaning of Section 147(g) of the Code, and that all costs of issuance in excess of that amount will be paid by the Issuer from funds other than proceeds of the Series 2012 Bonds;
- (e) that the Issuer has not leased, sold, assigned, granted or conveyed and will not lease, sell, assign, grant or convey all or any portion of the Financed Facilities or any interest therein to the United States of any agency or instrumentality hereof thereof within the meaning of Section 149(b) of the Code;
- (f) that there are no outstanding obligations of a political subdivision other than the Issuer the proceeds of which have been or will be used by the Issuer or any affiliate with respect to the Financed Facilities;
- (g) that the Issuer will not permit any Person to become a “principal user” of the Financed Facilities if such transaction would cause the interest on the Series 2012 Bonds to become includable in gross income for federal income tax purposes;
- (h) that the average maturity of the Series 2012 Bonds does not exceed 120% of the average reasonably expected economic life of the Financed Facilities as determined in accordance with Section 147(b) of the Code;
- (i) that no obligations have been or will be issued under the Code that are sold at substantially the same time as the Series 2012 Bonds pursuant to the same plan of marketing that are reasonably expected to be paid in whole or in part by the Issuer or have with the Series 2012 Bonds any common or pooled security for the payment of debt service thereon, without regard to guaranties from unrelated parties;
- (j) that it will provide all information required to satisfy the informational requirements set forth in Section 149(e) of the Code, including the information necessary to complete IRS Form 8038;
- (k) that it will not use the proceeds of the Series 2012 Bonds in such a manner as to cause the Series 2012 Bonds to be “arbitrage bonds” within the meaning of

Section 148 of the Code and applicable Treasury Regulations; that it will pay any amount necessary to be paid the United States as “arbitrage rebate”; the provisions of this subparagraph (k) shall survive the retirement and payment of the Series 2012 Bonds and the discharge of the other obligations of the Issuer hereunder;

(l) that all capital expenditures to be financed with proceeds of the Series 2012 Bonds were or will be paid or incurred after August 5, 1997, and therefore the limitation contained in Section 145(b) of the Code is inapplicable to the Series 2012 Bonds and

(m) that it will comply with and fulfill all other requirements and conditions of the Code and Treasury Regulations and rulings issued pursuant thereto relating to the acquisition, construction and operation of the Financed Facilities to the end that interest on the Series 2012 Bonds shall at all times not be includable in gross income for purposes of federal income taxation.

Section 6.5 Arbitrage Certification. The Chairperson and County Coordinator being the officers of the Issuer charged with the responsibility for issuing the Series 2012 Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the applicable provisions of the Code and Treasury Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Series 2012 Bonds, it is reasonably expected that the proceeds of the Series 2012 Bonds will not be used in a manner that would cause the Series 2012 Bonds to be “arbitrage bonds” within the meaning of the Code and Treasury Regulations.

Section 6.6 Arbitrage Rebate. The Issuer acknowledges that the Series 2012 Bonds are subject to the rebate requirements of Section 148(f) of the Code. The Issuer covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes, unless and to the extent the Series 2012 Bonds qualify for the spending exceptions from the rebate requirement under Section 148(f)(4)(B) of the Code and the Regulations and no “gross proceeds” of the Series 2012 Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

Section 6.7 Qualified Tax-exempt Obligations. The Board of Commissioners hereby designates the Series 2012 Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations (within the meaning of Section 265(b)(3) of the Code) which will be issued by the Issuer and all subordinate entities during calendar year 2012 will not exceed \$10,000,000.

Section 6.8 Reimbursement. The Issuer certifies that the proceeds of the Series 2012 Bonds will not be used by the Issuer to reimburse itself for any expenditure with respect to the Project which the Issuer paid or will have paid more than 60 days prior to the issuance of the Series 2012 Bonds unless, with respect to such prior expenditures, the Issuer shall have made a

declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations, provided that a declaration of official intent shall not be required (i) with respect to certain de minimis expenditures, if any, with respect to the Project meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Project as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Series 2012 Bonds.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 Severability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 7.2 Records and Certificates. The officers of the Issuer are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, the attorneys approving the legality of the issuance of the Series 2012 Bonds, certified copies of all proceedings and records of the Issuer relating to the Series 2012 Bonds and the financial condition and affairs of the Issuer, and such other affidavits, certifications and information as are required to show the facts relating to the legality and marketability of the Series 2012 Bonds as the same appear from the books and records under their custody and control or as otherwise known to them, and all such certified coupons, certifications and affidavits, including any heretofore furnished, shall be deemed representations of the Issuer as to the facts related therein.

Section 7.3 Covenant With Bondholders. Each and all of the terms and provisions of this Resolution shall be and constitute a covenant on the part of the Issuer to and with each and every Holder from time to time of the Outstanding Bonds issued hereunder.

Section 7.4 Amendments. No change, amendment, modification or alteration shall be made in the covenants made with Holders of the Bonds without the consent of the Holders of not less than sixty percent (60%) in principal amount of then such Outstanding Bonds except for changes, amendments, modifications and alterations made (a) to cure any ambiguity or formal defect or omission, or (b) any other change which would not materially prejudice the Holders of such Outstanding Bonds, provided, however, that nothing herein contained shall permit or be construed as permitting (1) an extension of the maturity of the principal of or the interest on any such Bonds, or (2) a reduction in the principal amount of any such Bond or the rate of interest thereon, or (3) a privilege or priority of any such Bond or Bonds over any other Bond or Bonds except as otherwise provided herein, or (4) a reduction in the aggregate principal amount of such Bonds required for consent to any change, amendment, modification or alteration, or (5) permit the creation of any lien ranking prior to or on a parity with the lien of such Bonds on the Gross Revenues of the Health Facilities, except as hereinbefore expressly permitted, or (6) modify any of the provisions of this paragraph without the consent of the Holders of one hundred percent (100%) of the principal amount of Bonds Outstanding, or, in the case of any modifications described in clauses (1) through (5) the Holders of only those Outstanding Bonds adversely affected by the modifications.

Section 7.5 Certificate of Registration. The County Auditor is hereby authorized and directed to file a certified copy of this resolution in the records of the Issuer, together with such additional information as required, and to issue a certificate that the Bonds have been duly entered upon the Auditor's bond register.

Section 7.6 Headings. Headings in this Resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

Section 7.7 Applicable Law. This Resolution shall be governed by and interpreted in accordance with the laws of the State of Minnesota.

Section 7.8 Authorization of Payment of Certain Costs of Issuance of the Series 2012 Bonds. The Issuer authorizes the Purchaser to forward the amount of Series 2012 Bond proceeds allocable to the payment of issuance expenses to Klein Bank, Chaska, Minnesota on the closing date for further distribution as directed by the Issuer's financial advisor, Ehlers & Associates, Inc.

Section 7.9 Redemption of Series 2003B Bonds. The County Coordinator is hereby directed to advise U.S. Bank National Association, as paying agent for the Series 2003B Bonds, to call the Series 2003B Bonds to be refunded for redemption and prepayment on August 1, 2013 in the form attached to the Escrow Agreement, all in accordance with the provisions of the resolution authorizing issuance of the Series 2003B Bonds. The Chair and County Coordinator are hereby authorized to enter into the Escrow Agreement establishing the terms and conditions for the escrow account in accordance with Minnesota Statutes, Section 475.67.

Upon vote being taken on the foregoing resolution, the following voted in favor thereof: Les Nielsen, Kathi Ellis, Gene Anderson, Les Nielsen, and Kim Smith and the following voted against the same: None

whereupon the resolution was declared duly passed and adopted.

7:20pm – A Public Hearing was held to discuss the 2013 Budget and Levy. Information was presented and handed out to the members of the audience about the 2013 budget and levy. Approximately 5 citizens spoke at the meeting. Citizens asked questions regarding the budget, levy, and their market values.

After all questions and comments were made the Public Hearing was adjourned at 8:15pm by Chairperson Smith.

The meeting of the Kanabec County Board of Commissioners resumed.

Commissioners gave reports on the activities of the Boards and Committees in which they participate.

Action #13 – It was moved by Kevin Troupe, seconded by Les Nielsen and carried unanimously to adjourn at 8:45pm and to meet again in regular session on Wednesday, December 19, 2012 at 9:00am.

Signed _____

Chairperson of the Kanabec County Board of Commissioners,
Kanabec County, Minnesota

Attest: _____

Board Clerk