

PROCEEDINGS OF THE COUNTY BOARD

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

February 22, 2006

The Kanabec County Board of Commissioners met at 6:30pm on Wednesday, February 22, 2006 pursuant to adjournment with the following Board Members present: Stan Cooper, Kathi Ellis, Dennis McNally, Jerry Nelson, and Les Nielsen.

The Chairperson led the assembly in the Pledge of Allegiance.

Action #1 - It was moved by Dennis McNally, seconded by Kathi Ellis, and carried unanimously to approve the agenda with the addition of participation agreement, legislative conference and sheriff's staffing.

Action #2 - It was moved by Dennis McNally, seconded by Jerry Nelson, and carried unanimously to approve the February 15, 2006 minutes of the Kanabec County Board of Commissioners as presented.

Action #3 - It was moved by Kathi Ellis, seconded by Dennis McNally, and carried unanimously to approve payment of the following claims on Hospital Funds:

Vendor	Amount
AARON KORTE	249.20
ACCURINT	162.00
ACE HARDWARE	472.54
AIRGAS NORTH CENTRAL	2,486.48
ALAINA LEE	49.65
ALLINA HOSPITALS & CLINICS	16,280.77
AMERICA'S PPO	14.34
AMERICAN ASSOC. OF BIOANALYSTS	49.00
AMERICAN PHYSICAL THER. ASSOC.	270.00
ANDREW WESTEREN	44.03
APPRAISALS UNLIMITED	1,000.00
ARTHRO CARE CORPORATION	718.00
BALL DYNAMICS INTER., INC.	53.07
BARD ACCESS	496.93
BARRY VERMILYEA	133.50
BAUDVILLE	148.95
BIO MED PLUS, INC,	182.66
BREG INC.	36.00
BRENT THOMPSON	88.10
BRIGGS CORP.	149.24
BUSINESS DATA RECORD SERVICES	202.55

CARSTENS HEALTH INDUSTRIES	81.64
CATHERINE TWEET	87.60
CENTRAL MINNESOTA SURGEONS,LTD	2,000.00
CHANNING L. BETE CO., INC.	149.80
CHIC	935.80
CHRIS KIMBLER	89.00
CITON TECHNOLOGY SOLUTIONS	1,845.08
COBORN'S INC.	279.58
COBORNS PHARMACY	209.23
COLETTE DICKINSON	33.40
COOK MEDICAL INCORPORATED	84.87
CRAIG ANDERSON	178.00
CRAIGE ROESCHLEIN	106.75
CSI ERGONOMICS	289.80
CURRENT TECHNOLOGY, INC.	217.00
CURT ROBERTSON	272.20
CUYUNA REGIONAL MEDICAL CENTER	11.25
DATASCOPE CORP	296.40
DAWN JOHNSON	84.39
DAWN STASKIVIGE	428.10
DEBRA WRIGHT	30.26
DEPUY ORTHOPAEDICS, INC	27,158.21
DETERMAN BROWNIE, INC.	400.00
DIANE BANKERS	142.40
DIANNE K. SAARI	110.00
DIRECT DIGITAL CONTROLS	271.65
DIVERSIFIED MEDICAL NCE.	366.87
DJ ORTHOPEDICS, LLC	51.30
DOROTHY KOHL	227.39
DOUG BROWN & ASSOCIATES	131.46
EAST CENTRAL EXTERMINATING	488.00
FAIRVIEW	449.28
FORMFAST, INC	745.00
FREDRICKSON & BYRON, P.A.	894.00
GAYMAR	224.98
GE MEDICAL SYSTEMS INFORMATION TEC	45.00
GRAINGER	673.40
GRAINGER	755.35
GUS HELLZEN	44.03
HAMILTON SORTER CO, INC.	1,155.00
HANDYMAN'S, INC.	1,662.05
HC PRO	179.00
HEALTHCARE WASTE SOLUTIONS	896.00
HELM PUBLISHING	9.00
HILL LABORATORIES INC.	36.28
I-FLOW CORPORATION	260.00
INGENIX PUBLISHING GROUP	249.95
INTEGRATED MEDICAL SYSTEMS INT.INC	976.56

INTERNATIONAL AQUATIC TRADES	270.04
JAMIE HOLE	206.50
JAMIE McGUIRE	321.75
JIM COLEMAN,LTD	52.65
JOHNSONS HARDWARE & RENTAL	93.62
JOHNSTONE SUPPLY	30.33
JOINT COMMISSION (JCAHO)	1,040.00
KANABEC COUNTY AUD.- TREASURER	200.00
KANABEC HOSPITAL AUXILARY	44.00
KANABEC HOSPITAL/AMC-MORA DIAGNOST	57,993.26
KANABEC PUBLICATIONS	3,071.57
KBEK 95.5 FM	659.80
KRISTILYNN KEMP	80.10
LAKE SUPERIOR LAUNDRY	6,529.70
LARAE VAN HALE	20.94
LARRY BRETTINGEN, M.D.	150.00
LEON LITCHY	44.03
LESLIE McCALLUM SALON/SPA	127.80
LINDA KITTERMAN	196.00
LIPPINCOTT, WILLIAMS & WILKINS	137.80
LLOYD OTTE DAIRY DELIVERY	719.79
LPN	24.95
LYN ANDERSON	75.00
MARCO FINANCING	3,741.81
MARV SUNDET	75.00
MARY HULTMAN	41.28
MATTSON ELECTRIC, LLC	2,069.09
MEDI BADGE, INC	40.65
MEDICAL AUDIT RESOURCE SERVICES,IN	320.00
MEDTOX LABORATORIES	239.70
MEDTRONIC USA, INC.	409.49
MELISSA PETERSON	10.35
MERCY HOSPITAL & HEALTH CENTER	357.50
MICHELE ROTHBAUER	11.44
MICHELLE PETERSON	25.56
MICHELLE VOLK	22.25
MILLE LACS MESSENGER, INC.	199.00
MINN. HEALTHCARE QUALITY PROF.	55.00
MINNESOTA DRIVING RECORDS	7.50
MINNESOTA ELEVATOR, INC.	351.00
MINNESOTA OFFICE OF ENTERPRISE TEC	9.95
MONSON'S ROLL-OFF SERVICE	401.40
MORA BAKERY	786.24
MORA LIONS	125.00
MORALINK.COM LLC	450.00
NATIONAL BUSHING & PARTS	85.12
NDC HEALTH	1,561.00
NELSON'S MARKET	64.00

NEWS HOPPER	80.00
NORTHSTAR SURGICAL, INC.	489.00
NOVAMED	63.00
NOVO PRINT USA, INC.	445.00
NURSING	32.90
OLGA LITCHY	44.03
OLYMPUS SURGICAL, INC.	2,600.00
OTOMED, INC.	83.75
OWENS COMPANIES, INC.	263.11
PACIFIC SURGICAL, LLC	523.75
PAMIDA, INC.	25.81
PHILIPS MEDICAL SYSTEMS	1,440.00
PINE CITY HEALTH AND FITNESS	1,050.00
PINE CITY PIONEER	210.00
RADIO SHACK	29.97
RAYMOND FORE	238.00
RE CARLSON	100.19
RHONDA VAN HALE	58.74
RICHTER TECHNOLOGY SUPPLY	1,054.45
RJ MECHANICAL INC.	862.00
RN	24.97
ROBERT LAKEBERG	330.00
ROBERT PRICE	238.84
ROBERT WOODS	40.99
ROSE RYAN	84.55
RUDOLPH'S INC.	642.78
RURAL WISCONSIN HEALTH COOP.	4,200.00
RWB ADVERTISING	595.00
S & T OFFICE PRODUCTS	1,118.08
SENTRY SYSTEMS, INC.	72.57
SHERI ROESCHLEIN	54.50
SHERRANE BORG	540.99
SOURCEONE HEALTHCARE TECHNOLOGIES	2,674.64
SPECTRUM SURGICAL SUPPLY, INC.	88.65
STEVE NESTRUD	88.06
SYSMEX AMERICA, INC.	861.69
THE T SYSTEM, INC.	1,710.00
TOWER 2000	189.40
TWIN CITY HARWARE/IR SECURITY CEN	1,373.12
VARITRONICS	53.00
VIRGINIA NESTRUD	106.75
WCMP BROADCASTING	1,022.60
WILD THINGS CATERING SERVICE	1,100.00
WLMX/WXCX MILLTOWN WISCONSIN	725.00
YELLOW BOOK USA	530.00
YOU BET!NET	34.95
ZIMMER, INC.	17,679.80
TOTAL	<u>199,022.91</u>

Action #4 – It was moved by Jerry Nelson, seconded by Kathi Ellis, and carried unanimously to approve the following paid hospital claims:

ABBOTT LABORATORIES	1,285.32
ACMI	292.50
ACMI	1,032.50
ACMI	477.50
ALIMED, INC.	195.50
ALLINA HOSPITALS & CLINICS	17,824.96
ALLINA HOSPITALS & CLINICS	464.80
AMERICAN MEDICAL ASSOCIATION	16.88
AMERICAN RED CROSS	8,207.08
AMERICAN RED CROSS	2,785.15
AMERICAN RED CROSS	3,331.22
ANOKA TECHNICAL COLLEGE	287.20
AQUILA (PNG)	4,019.03
AQUILA (PNG)	11,516.97
ARIZANT HEALTHCARE INC.	477.60
ARMSTRONG MEDICAL	134.16
ASPEN MILLS	429.30
ASPEN MILLS	377.31
BARD PERIPHERAL TECHNOLOGIES	279.00
BARD UROLOGICAL DIVISION	47.00
BATTERIES PLUS	469.98
BAUERFEIND USA, INC	135.77
BAXTER HEALTHCARE, IV DIV.	2,388.91
BAXTER HEALTHCARE, IV DIV.	866.54
BAXTER HEALTHCARE, IV DIV.	752.06
BAXTER HEALTHCARE, IV DIV.	1,780.46
BAY MEDICAL, INC.	39.52
BIRD & CRONIN	415.58
BIRD & CRONIN	451.07
BIRD & CRONIN	74.55
BIRD & CRONIN	158.20
BOSTON SCIENTIFIC CORPORATION	204.00
BOSTON SCIENTIFIC CORPORATION	204.00
BRIAN NISKANEN, MD	2,232.00
BSN MEDICAL, INC.	55.26
BSN-JOBST, INC.	189.10
BUSINESS DATA RECORD SERVICES	202.55
CARDIAC SCIENCE CORP.	186.52
CARDINAL HEALTH (PHARMACY)	18,656.99
CARDINAL HEALTH (PHARMACY)	33,103.20
CARDINAL HEALTH (PHARMACY)	24,410.46
CARDINAL HEALTH (PHARMACY)	37,797.31
CARDINAL HEALTH, MED PROD & SERVIC	560.94
CARDINAL HEALTH, MED PROD & SERVIC	1,354.60
CARDINAL HEALTH, MED PROD & SERVIC	292.39

CARDINAL HEALTH, MED PROD & SERVIC	1,380.90
CDW DIRECT, LLC	3,925.02
CDW DIRECT, LLC	470.59
CDW DIRECT, LLC	580.88
CELLULAR ONE	18.74
COMPHEALTH CONSULTING INC.	25,236.84
CONMED CORPORATION	991.92
CONMED CORPORATION	91.92
COOK MEDICAL INCORPORATED	77.22
CULLIGAN	34.75
DADE BEHRING, INC.	99.75
DADE BEHRING, INC.	7,420.36
DAVID PAULSON, MD	2,040.00
DAVOL/BARD, INC.	418.00
DAVOL/BARD, INC.	1,279.92
DELTA MEDICAL SYSTEMS, INC.	2,241.25
DEPUY MITEK	253.00
DEPUY MITEK	263.53
DEPUY ORTHOPAEDICS, INC	8,754.92
DEX MEDIA EAST LLC	305.05
DEX MEDIA EAST LLC	19.24
DHS MEDICAL CARE SURCHARGE	16,642.33
DOUG BROWN & ASSOCIATES	118.43
DOUG BROWN & ASSOCIATES	120.64
ECM PUBLISHERS, INC.	333.00
ECM PUBLISHERS, INC.	647.28
ECOLAB	138.38
ELMED INCORPORATED	131.59
EMERGENCY APPARATUS MAINT.	3,232.95
ENRICA FISH BOOKS, INC.	305.25
ENVISON, INC.	380.00
EZ EM, INC.	231.29
FARROW MEDICAL INNOVATIONS, INC.	278.00
FEDERAL WAGE & LABOR LAW INSTITUTE	21.95
FEDERATED CO-OP INC.	32.34
FEDERATED CO-OP INC.	48.45
FEDEX	20.14
FULL CIRCLE IMAGE	354.00
GREATER MINNESOTA CU	1,349.68
GYRUS ENT,LLC	298.98
HESSCO THEREQUIP. INC.	189.60
HOLIDAY COMMERCIAL	778.53
HSBC BUSINESS SOLUTIONS	769.48
HUNTLEIGH HEALTHCARE, INC.	864.40
IMMUCOR, INC	161.09
IMMUCOR, INC	85.20
IMMUCOR, INC	290.40
IMPRINT ENTERPRISES OF MN, LLC	243.40

IMPRINT ENTERPRISES OF MN, LLC	587.94
INGENIX PUBLISHING GROUP	157.46
INSTRUMENT SPECIALISTS, INC.	79.15
INSURANCE REFUNDS	1,409.59
J.N. JOHNSON SALES & SERVICE	137.50
JAYS COMPANY	220.79
JAYS COMPANY	83.60
JOHN RIEMAN	160.04
KANABEC COUNTY COURT ADMINISTRATOR	0.00
KANABEC HOSPITAL	2,500.00
KENDALL HEALTHCARE PRODUCTS CO	255.40
KNIGHT INSPECTION SERVICES	275.00
KRAMES/STAYWELL	100.95
KRAMES/STAYWELL	133.75
LATEST PRODUCTS CORP.	125.21
M.C. JOHNSON	135.90
MALLINCKRODT, INC.	130.81
MAMSS	35.00
MARCO BUSINESS PRODUCTS	510.20
MC MASTER CARR SUPPLY CO.	181.55
MEAD JOHNSON NUTRITIONALS	11.99
MEDICAL AUDIT RESOURCE SERVICES,IN	1,184.00
MEDLINE INDUSTRIES, INC.	787.91
MEDLINE INDUSTRIES, INC.	475.85
MEDLINE INDUSTRIES, INC.	709.61
MEDLINE INDUSTRIES, INC.	669.69
MEDTRONIC, USA INC	170.00
MIDWEST FORENSIC PATHOLOGY, P.A.	1,600.00
MIDWEST SIGN & SCREEN PRINTING	721.84
MIDWEST SIGN & SCREEN PRINTING	146.20
MIDWEST STONE MANAGEMENT	2,300.00
MIDWEST STONE MANAGEMENT	2,500.00
MIDWEST SURGICAL SERVICES - 0476	8,120.00
MINNESOTA DEPARTMENT OF HEALTH	106.00
MINNESOTA HOSPITAL ASSOCIATION	375.00
MINNESOTA SHREDDING LLC.	109.00
MINNESOTA UC FUND	400.61
MNDAKSPAN	345.00
MOBILE INSTRUMENT SERV & REP.	831.31
MORA MEDICAL ASSOCIATES, P.A.INC.	20,494.50
MORA MUNICIPAL UTILITIES	11,832.96
NATIONAL NOTARY ASSOCIATION	118.00
NELLCOR PURITAN BENNETT, INC.	254.02
NETWORK SERVICES COMPANY	162.49
NORTH COAST MEDICAL, INC.	69.35
NORTH MEMORIAL EMS. EDUCATION	260.00
NORTHERN DIABETES ED	40.00
NORTHSTAR ACCESS	4,468.04

NORTHSTAR THERAPEUTICS	338.63
NOVAMED	156.00
OLYMPUS AMERICA FINANCIAL, INC.	4,351.76
OLYMPUS AMERICA, INC.	219.48
OLYMPUS AMERICA, INC.	219.48
OMER QUREISHY, MD	11,620.00
OMNICELL, INC.	677.00
OPTP	129.15
OPTP	182.95
OPTP	72.90
OPTP	171.90
OSLIN LUMBER CO.	989.29
OWENS & MINOR 66327205	6,380.09
OWENS & MINOR 66327205	2,402.69
OWENS & MINOR 66327205	4,920.35
OWENS & MINOR 66327205	7,218.10
PAL HEALTH TECHNOLOGIES, INC.	966.13
PAL HEALTH TECHNOLOGIES, INC.	170.00
PAL HEALTH TECHNOLOGIES, INC.	170.00
PAL HEALTH TECHNOLOGIES, INC.	349.50
PATIENT REFUND	5,450.21
P-D'S EMBROIDERY	7,738.20
PDS, INC.	2,850.00
PDS, INC.	2,850.00
PDS, INC.	2,850.00
PDS, INC.	4,750.00
PEOPLE POWERED SPORTS	44.00
PHOTO EXPRESS PLUS	18.97
POSEY CO.	104.22
Q WEST	175.37
QUALITY DISPOSAL SYSTEMS, INC.	677.46
RANDALL BOSTROM, M.D.	6,280.50
REGIONS HOSPITAL FOUNDATION	336.00
REMEL, INC.	888.04
RESOURCE TRAINING & SOL/BLUE CROSS	125,349.50
RESOURCE TRAINING & SOL/BLUE CROSS	127,281.50
RURAL CELLULAR CORPORATION	144.01
RURAL CELLULAR CORPORATION	93.38
RURAL CELLULAR CORPORATION	144.01
RUSCH INC.	125.68
SAMMONS PRESTON, INC.	123.60
SAMMONS PRESTON, INC.	125.22
SMITH & NEPHEW, INC.	331.20
SMITH & NEPHEW-ENDOSCOPY	333.34
SMITH & NEPHEW-ENDOSCOPY	333.34
SOURCEONE HEALTHCARE TECHNOLOGIES	91.57
SPECIALTY LABORATORIES	1,748.42
ST. JOHN COMPANIES	56.95

ST. JOHN COMPANIES	124.71
ST. JOHN COMPANIES	525.28
STANDARD REGISTER	165.90
STANDARD REGISTER	210.24
STANDARD TEXTILE, INC.	23.59
STERIS CORPORATION	420.66
STRYKER SALES CORPORATION	604.94
STRYKER SALES CORPORATION	345.15
STRYKER SALES CORPORATION	463.49
STRYKER SALES CORPORATION	1,740.11
STRYKER SALES CORPORATION	614.46
SURGIPATH MEDICAL INDUST., INC	366.25
TALECRIS BIOTHERAPEUTICS, INC.	3,815.35
TERRY JOHNSON, M.D.	5,640.72
THE BIRTH CENTER	170.00
THREE RIVERS PATHOLOGY	775.00
TOWNSEND DESIGN, INC.	402.50
TRI-ANIM HEALTH SERVICES	1,558.87
TRI-ANIM HEALTH SERVICES	369.93
TWIN CITY HARWARE/IR SECURITY CEN	750.13
U.S. ENDOSCOPY GROUP, INC.	163.22
UNITED STATES SURGICAL	1,045.30
UNITED STATES SURGICAL	327.54
UPS	179.86
US CABLE	329.76
US FOODSERVICE	1,740.87
US FOODSERVICE	1,757.39
US FOODSERVICE	1,949.98
US FOODSERVICE	1,663.10
VIKING COCA-COLA BOTTLING CO.	112.00
VIKING COCA-COLA BOTTLING CO.	112.00
WILD THINGS CATERING SERVICE	85.58
WILD THINGS CATERING SERVICE	126.01
ZAUDTKE ELECTRICAL CONTRACTING	554.25
TOTAL	<u>693,150.96</u>

Action #5 – It was moved by Dennis McNally, seconded by Jerry Nelson, and carried unanimously to approve payment of the following claims on hospital construction funds:

EAST CENTRAL CONCRETE, LLC	7,841.00
G M E CONSULTANTS	578.96
GLEWWE DOORS, INC.	6,127.14
K & H CONSTRUCTION, INC	14,461.42
KADLEC EXCAVATING, INC.	3,917.10
KNUTSON CONSTRUCTION SERVICES	3,351.75
NORTH COUNTRY WELDING	9,000.00
TOTAL	<u>45,277.37</u>

6:35pm – Carolyn Drude with Ehlers and Associates met with the County Board to discuss matters concerning hospital bonding. Also present was Hospital Administrator Randy Ulseth.

Action #6 – Jerry Nelson introduced the following resolution and moved its adoption:

Resolution #6 – 02/22/06

RESOLUTION AUTHORIZING ISSUANCE, AWARDING THE SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT OF \$9,000,000 GROSS REVENUE HEALTH CARE FACILITIES BONDS, SERIES 2006A; CALLING FOR A PUBLIC HEARING THEREON

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, the Issuer has heretofore issued its \$3,315,000 Gross Revenue Hospital Bonds, Series 1995A dated, as originally issued, as of February 1, 1995 (the “Series 1995A Bonds”) to finance improvements to 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 to accommodate future growth, 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 (i) finance a new 18,000 square foot surgery suite and an expanded rehabilitation department (the “Project”) at the Hospital and (ii) together with funds remaining in the Reserve Account allocable to the Series 1995A Bonds, refund the 2007 through 2017 maturities of the Series 1995A Bonds, which are presently outstanding in the principal amount of \$2,270,000, on April 1, 2006 (the “Refunding”), the Issuer has determined it is necessary and expedient for the Issuer to issue its Gross Revenue Health Care Facilities Bonds, Series 2006A (the “Series 2006A Bonds”) in the aggregate principal amount of \$9,000,000, as hereinafter provided; and

WHEREAS, the Issuer will conduct a public hearing on March 22, 2006 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 2006A 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 2006A Bonds.

"Bond Counsel" means an attorney or law firm selected by the Issuer, having a favorable reputation 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 2003B Bonds, the Series 2006A Bonds and any Additional Bonds.

"Clinic" means the family practice clinic located adjacent to the Hospital leased by the Issuer to Allina Medical Clinic-Mora, a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Code, which Clinic was financed in part by the proceeds of the Series 2003B Bonds.

"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.

"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).

"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, 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, the Project and including any future additions thereto, modifications and replacements thereof.

"Hospital" means the existing municipal hospital owned and operated by the Issuer, as improved by the Project and 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.

"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.

"Refunding" means the refunding, expected to take place on April 1, 2006 of the 2007 through 2017 maturities of the Series 1995A Bonds.

"Series 1995A Bonds" means the Gross Revenue Hospital Bonds, Series 1995A, originally dated as of February 1, 1995, and issued by the Issuer pursuant to a Resolution adopted on January 25, 1995.

"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 pursuant to this Resolution.

"Series 2003B Bonds" means the Gross Revenue Health Facilities Bonds, Series 2003B, originally dated as of March 1, 2003 and issued by the Issuer pursuant to a Resolution adopted February 26, 2003.

ARTICLE II

AUTHORIZATION, SALE AND TERMS OF SERIES 2006A BONDS

Section 2.1 Sale. This Board hereby authorizes the issuance and sale of the Series 2006A Bonds to provide funds to finance the Project and to accomplish the Refunding. The Issuer believes that a substantial debt service savings can be achieved by the issuance and sale of the Series 2006A Bonds. The Issuer has retained Ehlers & Associates, Inc., an independent financial advisor, to assist the Issuer in connection with the sale of the Series 2006A Bonds. Pursuant to the Terms of Proposal for the sale of the Series 2006A Bonds, two (2) proposals for the purchase of the Series 2006A Bonds were received at or before the time specified for receipt of proposals. The proposals have been opened and publicly read and considered, and the purchase price, interest rates and true interest cost under the terms of each proposal have been determined. The most favorable of such proposals is that of Dougherty & Company LLC and associates (the "Purchaser"), of Minneapolis, Minnesota to purchase the Series 2006A Bonds at a price of \$8,838,000.00 plus accrued interest on the Series 2006A Bonds to the day of delivery, on the further terms and conditions hereinafter set forth. The sale of the Series 2006A Bonds is hereby awarded to the Purchaser, and the Chair and County Coordinator are hereby authorized and directed on behalf of the

Issuer to execute a contract for the sale of the Series 2006A Bonds in accordance with the Terms of Proposal.

Section 2.2 Title; Original Issue Date; Denominations; Maturities and Interest. The Series 2006A Bonds shall be dated March 28, 2006, as the date of original issue and shall be issued forthwith on or after such date in fully registered form. The Series 2006A Bonds shall be numbered from R-1 upward in the denomination of \$5,000 each or in any integral multiple thereof of a single maturity. The Series 2006A Bonds shall mature on February 1 in the years and amounts as follows, and shall bear interest until maturity or earlier redemption at the rates per annum set forth opposite such years and amounts:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2007	\$ 410,000	4.00%	2017	\$ 510,000	%
2008	355,000	4.00%	2018	240,000	
2009	370,000	4.00%	2019	245,000	
2010	385,000		2020	250,000	
2011	400,000		2021	260,000	
2014	1,295,000		2022	270,000	
2015	465,000		2024	1,160,000	
2016	490,000		2026	1,895,000	

All dates are inclusive. Interest shall be payable semiannually on February 1 and August 1 in each year, commencing August 1, 2006. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

Section 2.3 Redemption. (a) *Optional.* Series 2006A Bonds maturing in 2017 and subsequent years 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 (or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of \$5,000 on February 1, 2016, and any date thereafter, at a price equal to the principal amount thereof plus interest accrued to the date of redemption. Series 2006A 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 2006A Bonds are also subject to redemption, at the option of the Issuer, 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 2006A Bonds maturing on February 1, 2014, 2024, and 2026 (the "Term 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:

Term Bond Maturing in 2014

<u>Year</u>	<u>Principal Amount</u>
2012	\$415,000
2013	430,000

The remaining \$450,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2014.

Term Bond Maturing in 2024

<u>Year</u>	<u>Principal Amount</u>
2023	\$280,000

The remaining \$880,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2024.

Term Bond Maturing in 2026

<u>Year</u>	<u>Principal Amount</u>
2025	\$925,000

The remaining \$970,000 stated principal amount of such Bonds shall be paid at maturity on February 1, 2026.

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, a new Bond or Bonds will be delivered to the owner without charge, representing the remaining principal amount outstanding.

Section 2.5 Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

"Beneficial Owner" shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person's subrogee.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

"DTC" shall mean The Depository Trust Company of New York, New York.

"Participant" shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

"Representation Letter" shall mean the Representation Letter pursuant to which the Issuer agrees to comply with DTC's Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the Issuer may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the Issuer shall be affected by any notice to the contrary. Neither the Registrar nor the Issuer shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Issuer to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the Issuer determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the Issuer may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Issuer and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC, if not previously filed with DTC, by the Chair or County Coordinator is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

Section 2.6 Section 2.6. The Series 2006A Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
KANABEC COUNTY

GROSS REVENUE HEALTH CARE FACILITIES BOND, SERIES 2006A

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date Of Original Issue</u>	<u>Cusip</u>
	February 1, 20__	March 28, 2006	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: 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 August 1, 2006, at the rate per annum specified above, (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. 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. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal office of U.S. Bank National Association, in St. Paul, 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 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 "Regular Record Date"). Any interest not so timely paid shall cease to be payable to the person who is the Holder hereof as of the Regular Record Date, and shall be payable to the person who is the Holder hereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted interest. Notice of the Special Record

Date shall be given to Bondholders not less than ten days prior to the Special Record 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 maturing in 2017 and subsequent years are subject to redemption and prepayment in whole or in part, at the option of the Issuer, and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of \$5,000 on February 1, 2016 and on any date thereafter 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, at the option of the Issuer, 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 maturing in the years 2014, 2024, and 2026 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:

a.	Term Bonds Maturing in 2014	b.	Term Bonds Maturing in 2024
	<u>Sinking Fund Payment Date</u>		<u>Sinking Fund Payment Date</u>
	2/01/2012		2/01/2023
	2/01/2013		2/01/2024
	2/01/2014		
	<u>Aggregate Principal Amount</u>		<u>Aggregate Principal Amount</u>
	\$415,000		\$280,000
	430,000		880,000
	450,000		
c.	Term Bonds Maturing in 2026		
	<u>Sinking Fund Payment Date</u>		
	2/01/2025		
	2/01/2026		
	<u>Aggregate Principal Amount</u>		
	\$925,000		
	970,000		

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, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount.

This Bond is one of an issue in the total principal amount of \$9,000,000, all of like date of original issue except as to number, maturity, interest rate, denomination and redemption privilege, which 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 February 22, 2006 (the "Resolution"), for the purpose of (ii) providing money to finance a portion of the cost of improvements (the "Project") to the municipal hospital located at 300 Clark Street in the City of Mora, Minnesota (the "Hospital") and (ii) together with certain funds remaining in the Reserve Account described in the Resolution and allocable to the Series 1995A Bonds, refunding the 2007 through 2017 maturities of the Issuer's Gross Revenue Hospital Bonds, Series 1995A. 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 in the denominations of \$5,000 and integral multiples thereof of a single maturity and are exchangeable for fully registered Bonds of other authorized denominations 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 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), of an authorized denomination or denominations, in aggregate principal amount equal to the principal amount of this Bond, of the same maturity and bearing interest at the same rate.

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.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Bond Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the Issuer.

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 original issue hereof and 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 said Bonds 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 Series 2006A 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.

U.S. Bank National Association, 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 2006A 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 2006A Bonds. In case any officer whose signature, or a facsimile of whose signature, shall appear on the Series 2006A Bonds shall cease to be such officer before the delivery of any Series 2006A 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 2006A 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 2006A Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Series 2006A Bonds need not be signed by the same representative. The executed certificate of authentication on each Series 2006A Bond shall be conclusive evidence that it has been authenticated and delivered under this resolution. When the Series 2006A Bonds have been so executed and authenticated, they shall be delivered by the County Coordinator to DTC on behalf of the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore made and executed, 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 U.S. Bank National Association, of St. Paul, Minnesota, as the initial Registrar. The Chair and the County Coordinator are authorized to execute and deliver, on behalf of the Issuer, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The Issuer agrees to pay the reasonable and customary charges of the Registrar for the services performed. 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 2006A Bonds and the registration of transfers of Series 2006A Bonds entitled to be registered or transferred as herein provided. Upon surrender for transfer of any Series 2006A 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 2006A Bonds of any authorized denomination or denominations of a like aggregate principal amount, having the same stated maturity and interest rate, as requested by the transferor; provided, however, that no Series 2006A Bond may be registered in blank or in the name of "bearer" or similar designation.

At the option of the Holder, Series 2006A Bonds may be exchanged for Series 2006A Bonds of any authorized denomination or denominations of a like aggregate principal amount and stated maturity, upon surrender of the Series 2006A Bonds to be exchanged at the principal office of the Bond Registrar. Whenever any Series 2006A 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 2006A Bonds which the Holder making the exchange is entitled to receive.

All Series 2006A 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 2006A Bonds delivered in exchange for or upon transfer of Series 2006A 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 2006A Bonds surrendered for such exchange or transfer. Every Series 2006A 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 2006A 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.

Section 2.10 Rights Upon Transfer or Exchange. Each Series 2006A Bond delivered upon transfer of or in exchange for or in lieu of any other Series 2006A Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2006A Bond.

Section 2.11 Interest Payment, Record Date. Interest on any Series 2006A Bond shall be paid on each interest payment date by check or draft mailed 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 "Regular Record Date"). Any such interest not so timely paid shall cease to be payable to the person who is the Holder thereof as of the Regular Record Date, and shall be payable to the person who is the Holder thereof at the close of business on a date (the "Special Record Date") fixed by the Bond Registrar whenever money becomes available for payment of the defaulted

interest. Notice of the Special Record Date shall be given by the Bond Registrar to the Holders not less than ten (10) days prior to the Special Record Date.

Section 2.12 Treatment of Registered Owner. The Issuer and the Bond Registrar may treat the person in whose name any Series 2006A Bond is registered as the owner of such Series 2006A Bond for the purpose of receiving payment of principal of and premium, if any, and interest on, such Series 2006A Bond and for all other purposes whatsoever whether or not such Series 2006A 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 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

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%.

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 first rate in effect for said Bonds shall be used in calculating the interest payments on said Bonds as if said interest rate was in effect throughout the term of the Bonds. 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

CREATION OF FUNDS; FLOW OF FUNDS

Article 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 Series 2006A 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 2006A Bonds there shall be credited to the Capital Expenditure Account \$6,857,827.91 of the proceeds of the Series 2006A Bonds to be expended to pay the costs of the Project. 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 2006A 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 2006A 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 2006A 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 matured Bonds in order of their maturity dates, pro rata with respect to Bonds maturing on the same date.

(c) Reserve Account. The Issuer hereby appropriates to the Reserve Account from proceeds of the Series 2006A Bonds the sum of \$399,570.42 and from equity of the Issuer the sum of \$304,950.00, the sum of which amounts, 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, \$2,270,000.00 of the proceeds of the Series 2006A Bonds shall be deposited in the Current Refunding Account and applied to the redemption and prepayment of the Series 1995A Bonds on their date of redemption (April 1, 2006) 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.

(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, 2006 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, or if no such repair, reconstruction, restoration and improvement is required by subsection (A) because of the minor nature of the damage, destruction or condemnation, the Issuer may elect to use the Net Proceeds to optionally redeem Series 2006A 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.

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, and will make the report available, upon request, to the Holder of any Bonds.

ARTICE VI

DEFEASANCE, REMEDIES, TAX COVENANTS, CONTINUING DISCLOSURE

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 series of Bonds in its entirety, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank 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 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 2006A 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 2006A Bonds to become subject to taxation under the Internal Revenue Code of 1986, as amended (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 2006A Bonds.

Section 6.4 Specific Tax Covenants. In order to ensure that the interest on the Series 2006A 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 2006A 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 2006A Bonds;
- (b) that all of the Project is 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 2006A 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 2006A 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 2006A 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 Project 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 facilities financed by the Series 2006A Bonds;
- (g) that as of the date hereof, the Issuer is the only "principal user" of the Project and that the Issuer will not permit any Person to become a "principal user" of those facilities if such transaction would cause the interest on the Series 2006A Bonds to become includable in gross income for federal income tax purposes;

(h) that the average maturity of the Series 2006A Bonds does not exceed 120% of the average reasonably expected economic life of the Project 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 2006A 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 2006A 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 2006A Bonds in such a manner as to cause the Series 2006A 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 2006A 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 2006A 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 Bond;

(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 facilities financed or refinanced by the Series 2006A Bonds to the end that interest on the Series 2006A Bonds shall at all times not be includable in gross income for purposes of federal income taxation; and

Section 6.5 Arbitrage Certification. The Chairperson and County Coordinator being the officers of the Issuer charged with the responsibility for issuing the Series 2006A 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 2006A Bonds, it is reasonably expected that the proceeds of the Series 2006A Bonds will not be used in a manner that would cause the Series 2006A 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 2006A 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 2006A Bonds from gross income for federal income tax purposes, unless and to the extent the Series 2006A 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 2006A 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 2006A 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 qualified 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 2006 will not exceed \$10,000,000.

Section 6.8 Reimbursement. The Issuer certifies that the proceeds of the Series 2006A 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 2006A 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 2006A Bonds.

Section 6.9 Continuing Disclosure. i. Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Series 2006A Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Series 2006A Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Series 2006A Bonds, the Issuer hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2006A Bonds. The Issuer is the only obligated person in respect of the Series 2006A Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The Issuer has complied in all material respects with any undertaking previously entered into by it under the Rule. If the Issuer fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Series 2006A Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Series 2006A Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Series 2006A Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The Issuer will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the Issuer, the following information at the following times:

(1) on or before 365 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending December 31, 2005, the following financial information and operating data in respect of the Issuer (the "Disclosure Information"):

(A) the audited financial statements of the Issuer for such fiscal year, containing balance sheets as of the end of such fiscal year and a statement of operations, changes in fund balances and cash flows for the fiscal year then ended, showing in comparative form such figures for the preceding fiscal year of the Issuer, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the Issuer, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the Issuer; and

(B) To the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Values, Direct Debt, Tax Levies and Collections, Population Trend and Employment/Unemployment.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the Issuer shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the Issuer shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to each of the repositories hereinafter referred to under subsection (c) or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the Issuer have materially changed or been discontinued, such Disclosure Information need no longer be provided if the Issuer includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other Issuer operations in respect of which data is not included in the Disclosure Information and the Issuer determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by

this paragraph (b)(1) or subsection (d), then the Issuer shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, notice of the occurrence of any of the following events which is a Material Fact (as hereinafter defined):

- (A) Principal and interest payment delinquencies;
- (B) Non-payment related defaults;
- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (G) Modifications to rights of security holders;
- (H) Bond calls;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities; and
- (K) Rating changes.

As used herein, a Material Fact is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the Issuer to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the Issuer under subsection (d)(2);
- (C) the termination of the obligations of the Issuer under this section pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
- (E) any change in the fiscal year of the Issuer.

(c) Manner of Disclosure. The Issuer agrees to make available the information described in subsection (b) to the following entities by telecopy, overnight delivery, mail or other means, as appropriate:

(1) the information described in paragraph (1) of subsection (b), to each then nationally recognized municipal securities information repository under the Rule and to any state information depository then designated or operated by the State of Minnesota as contemplated by the Rule (the "State Depository"), if any;

(2) the information described in paragraphs (2) and (3) of subsection (b), to the Municipal Securities Rulemaking Board and to the State Depository, if any; and the information described in subsection (b), to any rating agency then maintaining a rating of the Series 2006A Bonds at the request of the Issuer and, at the expense of such Bondowner, to any Bondowner who requests in writing such information, at the time of transmission under paragraphs (1) or (2) of this subsection (c), as the case may be, or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(d) Term; Amendments; Interpretation.

(1) The covenants of the Issuer in this section shall remain in effect so long as any Series 2006A Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the Issuer under this section shall terminate and be without further effect as of any date on which the Issuer delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the Issuer to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Series 2006A Bonds to be in violation of the Rule or other applicable requirements

of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the Issuer from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Series 2006A Bonds, by a resolution of this Board filed in the office of the recording officer of the Issuer accompanied by an opinion of Bond Counsel, who may rely on certificates of the Issuer and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the Issuer or the type of operations conducted by the Issuer, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2006A Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the Issuer agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

(e) Alternate Filing System. To the extent any filing or notification is required to be made to any National Repository or the State Depository, the Issuer reserves the right to use www.DisclosureUSA.org, currently maintained by the Municipal Advisory Council of Texas or any similar system acceptable to the SEC.

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 2006A Bonds, certified copies of all proceedings and records of the Issuer relating to the Series 2006A 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 2006A 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 2006A Bonds. The Issuer authorizes the Purchaser to forward the amount of Series 2006A Bond proceeds allocable to the payment of issuance expenses to Resource Bank & Trust Company, Minneapolis, Minnesota, on the closing date for further distribution as directed by the Issuer's financial advisor, Ehlers & Associates, Inc.

Section 7.9 Call for Public Hearing. The Project will be initially operated by the Issuer, but the Issuer may enter into one or more management agreements, leases, or other arrangements for the use of the Project or a portion thereof by one or more 501(c)(3) organizations. Therefore, pursuant to Section 147(f) of the Code, a public hearing on the proposal to finance the Project and the Refunding by the issuance of the Series 2006A Bonds is hereby called and shall be held on March 22, 2006 at 6:30 p.m. at the County Courthouse in Mora, Minnesota. The County Coordinator shall cause notice of the public

hearing in substantially the form attached as Exhibit A hereto to be published in the official newspaper of the County at least once not fewer than fourteen (14) nor more than thirty (30) days prior to the date fixed for the public hearing.

Section 7.10 Official Statement. The Official Statement relating to the Series 2006A Bonds, dated February 9, 2006, and the supplement thereto, prepared and distributed on behalf of the Issuer by Ehlers and Associates, Inc. is hereby approved. Ehlers and Associates, Inc. is hereby authorized on behalf of the Issuer to prepare and distribute to the Purchaser within seven business days from the date hereof, a supplement to the Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Series 2006A Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934. The officers of the Issuer are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

Section 7.11 Redemption of Series 1995A Bonds. The County Coordinator is hereby directed to advise Wells Fargo Bank, National Association, as successor to Norwest Bank Minnesota, National Association, as paying agent for the Series 1995A Bonds, to call the Series 1995A Bonds to be refunded for redemption and prepayment on April 1, 2006 in the form attached hereto, all in accordance with the provisions of the resolution authorizing issuance of the Series 1995A Bonds.

Exhibit A

Notice Of Public Hearing On A Proposed Project
And The Issuance Of Gross Revenue
Health Care Facilities Bonds
Kanabec County, Minnesota

NOTICE IS HEREBY GIVEN that the Board of Commissioners of Kanabec County, Minnesota (the "Issuer"), will meet on Wednesday, March 22, 2006, at 6:35 p.m. at the County Courthouse in Mora, Minnesota, 18 N. Vine Street, Mora, Minnesota for the purpose of conducting a public hearing on a proposal that the Issuer issue gross revenue health care facilities bonds, in one or more series, in a principal amount not to exceed \$9,000,000, under Minnesota Statutes, Sections 447.45 through 447.50 and Chapter 475, as amended, in order to (i) finance a new 18,000 square foot surgery suite and an expanded rehabilitation department (the "Project") at the Issuer's Hospital located at 300 Clark Street in the City of Mora, Minnesota (the "Hospital") and (ii) refund the 2007 through 2017 maturities of the Issuer's Gross Revenue Hospital Bonds, Series 1995A, which are outstanding in the principal amount of \$2,270,000. The Issuer will be the initial operator of the Hospital, but may lease portions of or cede management of portions of the Project to one or more qualified 501(c)(3) organizations. The Project cost is expected to be approximately \$6,765,000.

The Issuer intends to repay the principal of and interest on the bonds from revenues produced by the Issuer's medical facilities.

All persons interested may appear and be heard at the time and place set forth above, or may file written comments with the County Coordinator prior to the date of the hearing set forth above.

Dated:

BY ORDER OF THE BOARD OF
COMMISSIONERS OF KANABEC
COUNTY, MINNESOTA

By County Coordinator

EXHIBIT B

\$3,315,000 Gross Revenue Hospital Bonds, Series 1995A
Dated as of February 1, 1995
Kanabec County, Minnesota

Notice is hereby given that all Bonds of the above issue which mature on February 1 in the years 2007 through 2017, which are presently outstanding in the amount of \$2,270,000, are called for redemption and prepayment on April 1, 2006. The Bonds will be redeemed at a price of their principal amount plus accrued interest to the date of redemption. Holders of such Bonds should present them for payment on or before said date, on which date they will cease to bear interest.

A form W-9, Payer's Request for Taxpayer Identification Number, must be completed and returned with the called bond or 31% of the bond redemption proceeds will be withheld. Payment of bonds to be redeemed will be made on and after April 1, 2006, by submitting said bond along with the completed form W-9 to the following address:

By Mail or Air Courier Service:

By Registered or Certified Mail:

In Person, By Hand:

Wells Fargo Bank, N.A.
Corporate Trust Operations
MAC N9303-121
6th & Marquette
Mpls, MN 55479

Wells Fargo Bank, N.A.
Corporate Trust Operations
P.O. Box 1517
Minneapolis, MN 55480-1517

Wells Fargo Bank, N.A.
Northstar East Building
608 2nd Avenue South, 12th floor
Minneapolis, MN 55479

If you request payment of principal and/or interest via wire transfer, please be advised there is a wire transfer fee which will be deducted from your payment.

Dated: _____, 2006.

WELLS FARGO BANK, NATIONAL
ASSOCIATION

The motion for the adoption of the foregoing Resolution was duly seconded by Dennis McNally and upon a vote being taken thereon, the following voted:

IN FAVOR THEREOF: Dennis McNally, Jerry Nelson, Les Nielsen,
Kathi Ellis, Stan Cooper

OPPOSED: None

ABSTAIN: None

whereupon the resolution was declared duly passed and adopted.

7:08pm – Jail Nurse Clare Jones met with the County Board to discuss a grant. Also present were Jail Administrator Joanne Nelson and County Sheriff Steve Schulz.

Action #7 – It was moved by Stan Cooper, seconded by Dennis McNally, and carried unanimously to approve the following resolution:

Resolution #7 – 02/22/06

WHEREAS the Minnesota Department of Health has awarded the Kanabec County Sheriff's Office a Minnesota Rural Flexibility Grant of \$25,000 for enhanced medical dispatch capabilities, and

WHEREAS said enhancements would assist staff in helping people in Kanabec County during medical emergencies;

BE IT RESOLVED to accept the Minnesota Rural Flexibility Grant, and

BE IT FURTHER RESOLVED to authorize the expenditure of up to \$10,000 in E911 funds in support of this project.

Action #8 – It was moved by Kathi Ellis, seconded by Jerry Nelson, and carried unanimously to approve the following resolution:

Resolution #8 – 02/22/06

ORDER OF THE BOARD

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

WHEREAS the board desires to refill this vacant position, and

WHEREAS there is a current, active applicant list;

BE IT RESOLVED that the County Board authorizes County Sheriff Steve Schulz and the County Personnel Director to hire a Deputy Sheriff to refill the vacant

position at Step A, Range 11 of the pay plan which is \$17.60 per hour or the rate set by rule for internal promotion, and

BE IT FURTHER RESOLVED recruitment may be from the current, active list of Deputy Sheriff applicants, and

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

7:22am – County Engineer Greg Nikodym met with the County Board to discuss matters concerning the Highway Department.

Action #9 - It was moved by Dennis McNally, seconded by Jerry Nelson, and carried unanimously to approve the following resolution:

Resolution #9 – 02/22/06

WHEREAS quotes for signs and supplies were received as follows:

E.F. Anderson, Inc	\$12,830.39
MR Sign Co Inc	\$13,184.31
Newman Traffic Signs	\$12,161.10

BE IT RESOLVED to approve the recommendation of the County Engineer and accept the low quote of \$12,161.10 from Newman Traffic Signs.

Action #10 – It was moved by Dennis McNally, seconded by Stan Cooper, and carried unanimously to approve the following resolution:

Resolution #10 – 02/22/06

WHEREAS the board has reviewed the status of the roads in Kanabec County as well as past, preset and projected road usage, and

WHEREAS the board has considered the recommendations of the County Engineer, and

WHEREAS the board has prepared a proposed five year road plan for Kanabec County, and

WHEREAS the board desires public input on this road plan;

BE IT RESOLVED to hold a Public Hearing at 7:00pm on Wednesday, March

22, 2006 at a regular board meeting of the Kanabec County Board of Commissioners for the purpose of receiving public input on the proposed five year road plan for Kanabec County.

Action #11 – It was moved by Kathi Ellis, seconded by Stan Cooper, and carried unanimously to approve the following resolution:

Resolution #11 – 02/22/06

WHEREAS the Kanabec County Board of Commissioners have thoroughly reviewed county policy A-103: Kanabec County Building Policy, and

WHEREAS the Department Heads Committee has reviewed and recommended for approval a Building Policy containing several revisions;

BE IT RESOLVED to approve the following revised Kanabec County Building Policy effective April 1, 2006:

Policy: A-103

Approved: February 22, 2006
Effective: April 1, 2006
Supersedes (Eff): June 21, 2000

KANABEC COUNTY BUILDING POLICY

I. POLICY STATEMENT

This policy outlines the use and maintenance of Kanabec County buildings to preserve the health and safety of its employees and the public, and to assure that buildings are serviceable for as long as possible in the interests of the taxpayers of Kanabec County.

II. POLICY GUIDELINES

- A. All appliances (such as coffee machines) shall meet OSHA standards of commercial quality.
- B. Work areas shall be kept free from clutter. Objects shall not be left in traffic areas.
- C. No equipment or practices shall be allowed in County Buildings which do not meet County Safety Policies or OSHA requirements. Department Heads and supervisors have an affirmative responsibility to see that such standards are met.

- D. Pictures and documents will be hung from walls after consultation with the department head. Maintenance department personnel will hang the item. All required postings will be posted once in the public foyer. No adhesive or thumbtacks will be used on building walls.

E. Break Rooms

The County Board has designated the following rooms as Break Rooms:

- Room 103, Public Service Building
- Room 123, Highway Dept Building
- Workforce Center Breakroom, 2nd Floor, Highway Dept Building
- Room R312, Administration/Courthouse Building
- Room R214, Administration/Courthouse Building
- Room R121, Administration/Courthouse Building

1. Everyone using a break room will wash their own dishes and clean up their own mess.
2. Wipe tables and sink after use.
3. All food and beverages left in the refrigerator will be thrown out ~~Friday evening~~ on a schedule set by Building Maintenance.
4. Do not take equipment out of the break or meeting rooms.
5. If any liquid or food is spilled on the carpeting, clean it immediately.
6. Food preparation and preparation equipment (refrigerator, microwave, etc.) will be allowed only in designated break rooms. A variance for a refrigerator may be permitted by resolution of the County Board of Commissioners if there exists good cause and there is no cost born by the taxpayers. Refrigerators must be installed in a manner and location approved by Building Maintenance.

F. Meeting Rooms

1. Schedule meeting rooms with:
 - Public Service Building - Public Health
 - Highway Dept Building, 1st Floor - Highway Department secretary
 - Highway Dept Building, 2nd Floor - Extension Secretary
 - Administration/Courthouse Building - Coordinator's office
 - Courthouse Third Floor - Court Administrator
2. Meeting room scheduling will be done on a first come basis. Kanabec County reserves the right to limit meeting room use to any internal or external group.
3. Each user sets up the room for their own meeting.
4. Leave rooms in good order when the meeting has ended.
5. If a meeting or event is held in a County Building outside of normal business hours and there is no county employee to supervise the meeting or event, a Building Use Agreement form must be signed by the person responsible for the meeting or event. The Building Use Agreement form is available at the Public Health, Extension and County Coordinator's Offices.
6. Schedule satellite use in the Public Service Building with the Public Health office. Each Public Service Building Department will have a key to the cabinet.

7. Under no circumstances will anyone other than Information Systems Department employees adjust, tamper with or move ITV equipment
 8. Office conference rooms shall be kept in good order. Personal items or other non-work related items will be kept stored when not in use.
- G. Employees will not bring animals into the county buildings except for disability assistance animals.

III. DESIGNATED SMOKING AREAS

Smoking is not permitted in any county building. Employees are permitted to smoke on county grounds in the following locations:

- ◆ Administration/Courthouse Building - smoking will only be allowed by the Southeast entrance.
- ◆ Highway Department - smoking will only be allowed by rear exits.
- ◆ Public Service Building - smoking will only be allowed by three back doors: exits 108-2 (Maintenance), 187-1 (Family Services) and 135-1 (Health).
- ◆ Sheriff's Office - smoking will only be allowed by the main Jail east door. Smoking will not be permitted within 20 feet of any county building entrance.

IV. PARKING

The following areas are designated as employee parking:

- A. Administration/Courthouse Building - Employees will use the south parking lot (the old railroad right-of-way) or the west parking lot.
- B. Highway Department - Employees will park inside the fence along the west fence line.

V. ACCOUNTABILITY

Department Heads will be held responsible for violations of this policy in their area. Violations could result in disciplinary action.

Action #12 – It was moved by Jerry Nelson, seconded by Kathi Ellis, and carried unanimously to approve the following resolution:

Resolution #12 – 02/22/06

WHEREAS the Kanabec County Board of Commissioners has been presented with a request for lawful gambling within Kanabec County, and

WHEREAS the application was complete, included all necessary documentation, appears in accordance with County Policies and the facility owners are in good standing with the County;

BE IT RESOLVED to approve the Application for Exempt Permit for Kanabec County Pheasants Forever for a gambling event, Raffle, to be held at Fish Lake Resort, 674 Fish Lake Drive, Mora, MN 55051 on April 1, 2006.

Action #13 – It was moved by Dennis McNally, seconded by Kathi Ellis, and carried unanimously to approve the following resolution:

Resolution #13 – 02/22/06

WHEREAS there is a vacancy in the position of Computer Technician, and

WHEREAS the board desires to refill this vacant position;

BE IT RESOLVED that the County Board authorizes Information Systems Director Jessie Ruckle and the County Personnel Director to hire a Computer Technician to refill the vacant position at Step A, Range 8 of the pay plan which is \$14.93 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.

7:44pm - The Chairperson then called for public comment. Those who responded included:

Aaron Peterson	-Asked if Commissioner Ellis was hopeful sewer extension to Quamba will happen this summer. - Asked Commissioner McNally about Brunswick Township Planning Commission
Bob Swetz	- Asked about 911 service in county - Asked about Planning Commission training
Bob Mayo	- Asked about Planning Commission training
Dave Halvorson	- Asked if Board had passed ECSW resolution

8:08pm - The Chairperson closed public comment.

Action #17 – It was moved by Kathi Ellis, seconded by Dennis McNally, and carried unanimously to approve the following resolution:

Resolution #17 – 02/22/06

WHEREAS Minnesota Statute §6.79 allows local governments to submit to the State Auditor proposed changes to state mandates, and

WHEREAS the State Auditor has encouraged local units of government to take this opportunity to suggest improvements, and

WHEREAS the Kanabec County Board of Commissioners supports actions which could lower costs, improve services to the public and make expenditures more accountable, and

WHEREAS a large number of Minnesota Cities and at least one county use administrative tickets as a means of creating flexibility in law enforcement, relieving pressure from the court system and directing revenues to the point of service delivery, and

WHEREAS administrative tickets have proved to be an efficient, cost effective form of service delivery while still providing customers with proper legal protections, and

WHEREAS the State Auditor and State Attorney General have expended considerable effort at taxpayer expense to discourage the use of administrative tickets and continue with a more cumbersome and costly service delivery method;

BE IT RESOLVED that the Kanabec County Board of Commissioners supports legislation clarifying the right of cities and counties to use administrative tickets.

Action #18 – It was moved by Dennis McNally, seconded by Stan Cooper, and carried unanimously to approve the following resolution:

Resolution #18 – 02/22/06

WHEREAS Kanabec County has for decades required a probationary period for new employees, and

WHEREAS this policy is contained in several, scattered documents, and

WHEREAS it would be beneficial for clarity to have one document setting forth the terms and conditions of the probationary period, and

WHEREAS the Department Heads Committee has reviewed and recommended for approval a Probation Policy, and

BE IT RESOLVED to approve the following Kanabec County Probation Policy effective March 1, 2006:

Policy #P-104

Approved: February 22, 2006
Effective: February 22, 2006
Supersedes (Eff) : practice

Probation Period

I. POLICY STATEMENT

It is the policy of Kanabec County that employees serve a probationary period for the purpose of assessing employees' abilities, skills, and interest. The probationary period serves as an extension of the screening process and a probationary employee may be terminated at the sole discretion of the Department Head in consultation with the Personnel Director.

II. APPLICATION

All newly hired or re-hired employees shall serve a probationary period.

III. DURATION

- A. The probationary period shall be 1,040 straight time hours of work for any employee: overtime does not count towards the 1,040.
- B. The probationary period for any employee may be extended for up to an additional 1,040 hours at the discretion of the department head in consultation with the Personnel Director

IV. PROBATIONARY PERFORMANCE EVALUATIONS

- A. A performance appraisal shall be completed by the department head for each probationary employee prior to the completion of the full probationary period. The full probationary period means the initial probationary period and all extensions of it.
- B. Successful completion of the probationary period means that the department head has conducted a performance evaluation at the conclusion of the full probationary period, has determined that the employee has performed satisfactorily on probation, and has recommended regular status for the employee.
- C. A probationary employee who has not demonstrated the necessary ability, skills, and interest to adequately perform the duties of the position, in the discretion of the department head, shall be terminated from employment. The probationary employee has no right to appeal unless the employee is a veteran. Veterans shall be treated as defined in Minnesota Statute 197.46.
- D. No pay steps shall be enacted during the probationary period.

- E. In the case of new department heads, the County Board shall act as Department Head for the above purposes.

V. COMPLETION

Upon completion of the Probation Period, the employee is entitled to all the responsibilities and privileges of a regular employee; however, this is not a guarantee of continued or permanent employment.

Action #19 – It was moved by Dennis McNally, seconded by Jerry Nelson, and carried unanimously to authorize the Chairperson to sign a document titled “Participation Agreement, ADDENDUM TO KANABEC COUNTY HEALTH REIMBURSEMENT ARRANGEMENT For Participation by Collective Bargaining Units”: an agreement between Kanabec County and the Minnesota Teamsters Public and Law Enforcement Employees Union, Local 320.

Action #20 – It was moved by Stan Cooper, seconded by Jerry Nelson, and carried unanimously to approve the following resolution:

Resolution #20 – 02/22/06

WHEREAS the county board has received complaints of odor coming from the East Central Solid Waste Commission landfill, and

WHEREAS the commission’s efforts do not appear to have corrected the problem and complaints continue, and

WHEREAS experience shows that there is enough odor to warrant attention to the matter, and

WHEREAS the County Board is concerned about the well being of the citizens of Kanabec County, such as this potential problem in the vicinity of the landfill;

BE IT RESOLVED that the Kanabec County Board of Commissioners requests that the East Central Solid Waste Commission provide a written response to Kanabec County outlining how this reported odor problem will be resolved.

Action #21 - It was moved by Kathi Ellis, seconded by Jerry Nelson, and carried unanimously to adjourn at 8:34pm to meet in regular session on Wednesday, March 8, 2006 at 9:00am.

Signed _____

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

Attest. _____
Alan B. Peterson, Kanabec County Coordinator