RESOLUTION #420-97

A RESOLUTION APPROVING AND AUTHORIZING A LOAN AGREEMENT AND PROVIDING FOR THE ISSUANCE OF $4,000,000 AGGREGATE PRINCIPAL AMOUNT OF HOSPITAL REVENUE BONDS (MITCHELL COUNTY MEMORIAL HOSPITAL PROJECT) SERIES 1997

WHEREAS, Mitchell County, Iowa (hereinafter referred to as the "Issuer"), did heretofore establish a county public hospital pursuant to the provisions of Chapter 347 of the Code of Iowa, known as the Mitchell County Memorial Hospital, doing business as the Mitchell County Regional Health Center (hereinafter referred to as the "Hospital") pursuant to the provisions of Chapter 347 of the Code of Iowa; and

WHEREAS, the management and control of the Hospital are vested in the Board of Trustees (the "Board of Trustees"); and

WHEREAS, the Board of Trustees has determined it advisable to construct an addition to and renovate the Hospital's existing facilities and to acquire equipment and furnishings therefor (the "Project"); and

WHEREAS, at the request of the Hospital the Issuer previously held a hearing on a proposal to enter into a loan agreement and borrow money in a principal amount not to exceed $4,000,000 pursuant to the provisions of Section 331.402 of the Code of Iowa for the purpose of paying the cost, to that extent, of the Project; and

WHEREAS, at a meeting held on August 7, 1996 the Board of Supervisors met and held a hearing on the proposal to enter into the loan agreement as aforesaid and adopted a resolution taking additional action to enter into the loan agreement; and

WHEREAS, the Board of Supervisors determined to utilize the provisions of Section 331.461(d)(2) of the Code of Iowa to provide for a hearing on the proposal to enter into the loan agreement and issue hospital revenue bonds (the "Bonds") pursuant to such loan agreement; and

WHEREAS, the Board of Supervisors fixed September 23, 1997 at 10:00 o'clock a.m. as a meeting at which it proposed to take action to enter into such loan agreement and to issue the Bonds and gave notice thereof pursuant to Section 331.461(2)(d) of the Code of Iowa, including notice of the right to petition for an election, under the provisions of Section 331.461(2)(d) of the Code of Iowa; and

WHEREAS, as provided in Section 331.461(2)(d) of the Code of Iowa, a petition was filed with the County Auditor in a timely fashion requesting that an election on the proposal to enter into the loan agreement and issue the Bonds signed by qualified voters of the Issuer equal to at least 20% of the votes cast at the preceding election for governor; and

WHEREAS, upon the filing of such petition an election on the proposal to enter into the loan agreement and issue the Bonds was set for Tuesday, November 25, 1997; and

WHEREAS, at such election the requisite majority of voters voting thereat voted in favor of the proposal to enter into the loan agreement and issue the Bonds; and

WHEREAS, it is deemed necessary and advisable that the Issuer should enter into a Loan Agreement (the "Loan Agreement") with Miller & Schroeder Financial, Inc. (the "Lender") and issue its Hospital Revenue Bonds (Mitchell County Memorial Hospital Project), Series 1997 (the "Bonds") to borrow an aggregate principal amount of $4,000,000 for the purpose of (i) financing the costs of the proposed construction, remodeling, expanding and equipping of the Mitchell County Memorial Hospital d/b/a Mitchell County Regional Health Center in Osage, Iowa (the "Hospital") to improve outpatient care, obstetrics services, medical-surgical services, administration and other necessary and related health care services (the "Project"), and (ii) financing certain costs of issuance of the Bonds; and

WHEREAS, a public hearing has been held and all other action required by law has been taken to authorize the Loan Agreement and the issuance of the Bonds; and

WHEREAS, the following action is now considered to be in the best interests of the Issuer and residents thereof.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISOR OF MITCHELL COUNTY, IOWA, AS FOLLOWS:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

"Board of Trustees" shall mean the Board of Trustees of the Hospital, or its successor in function with respect to the operation and control of the Hospital.

"Bond Purchase Agreement" means the Bond Purchase Agreement among the Lender, the Issuer and the Hospital providing for the sale of the Bonds to the Lender.

"Bonds" shall mean the Issuer's Hospital Revenue Bonds (Mitchell County Memorial Hospital Project), Series 1997, dated as of their date of delivery to the original purchasers thereof, in an aggregate principal amount of $4,000,000 issued pursuant to this Resolution and the Loan Agreement.

"Corporate Seal" shall mean the official seal of Issuer adopted by the Governing Body.

"Debt Service Reserve Requirement" means the aggregate of all Series Reserve Fund Requirements for the Bonds and any series of Parity Obligations at the time outstanding.

"Fiscal Year" shall mean the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve month period adopted by the Board of Trustees or by law as the official accounting period of the Hospital.

"Governing Body" shall mean the Board of Supervisors of the Issuer, or its successor in function with respect to the operation and control of the County.

"Gross Revenues" means all income and receipts derived from the operation of the Hospital, including any taxes collected by the Hospital pursuant to any levy of taxes authorized by law.

"Hospital" shall mean the Mitchell County Memorial Hospital d/b/a Mitchell County Regional Health Center and all properties of every nature hereinafter owned by the Board of Trustees comprising part of or used as a part of the Hospital, including all improvements and expansions made by the Board of Trustees, including all real and personal property and all appurtenances, contracts, leases, franchises and other intangibles.

"Income Available for Debt Service" shall mean, for any specified period, Gross Revenues plus non-operating gains and payment obligations of Mercy to the Hospital under the Mercy Agreement, plus, to the extent included in Operating Expenses, depreciation, amortization, other non-cash expenses, and interest expense, less Operating Expenses, payment obligations of the Hospital to Mercy under the Mercy Agreement, and non-operating losses.

"Independent Auditor" shall mean (i) a firm of independent certified public accountants or (ii) the Auditor of the State.

"Issuer" shall mean Mitchell County, Iowa.

"Lender" shall mean Miller & Schroeder Financial, Inc., its successors and assigns.

"Loan" shall mean the loan made pursuant to the Loan Agreement and evidenced by the Bonds.

"Loan Agreement" shall mean the Loan Agreement between Issuer and the Lender dated as of December 1, 1997, including any amendment thereof.

"Management Consultant" means an independent firm regularly engaged in the business of financial consulting or reporting for hospitals, selected by the Board of the Hospital and qualified to pass on questions relating to the financial affairs, condition and operations of hospitals and to make financial projections with respect thereto and having a favorable reputation for skill and experience in the analysis of such financial affairs.

"Mercy" means North Iowa Mercy Health Center, Inc., its successors and assigns.

"Mercy Agreement" means the Master Affiliation Agreement dated as of September 1, 1994 between the Hospital and Mercy as from time to time supplemented, amended or extended.

"Net Revenues" shall mean Gross Revenues of the Hospital after deduction of Operating Expenses.

"Operating Expenses" shall mean and include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices, but does not include allowance for depreciation in the value of physical property.

"Parity Obligations" shall mean notes, bonds or other obligations payable solely from the Net Revenues issued on a parity with the Bonds in accordance with the provisions of this Resolution.

"Paying Agent" shall mean Norwest Bank Iowa, National Association, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as the Issuer's agent to provide for the payment of principal of and interest on the Bonds as the same shall become due;

"Project" shall include four components as follows: (i) outpatient care component: demolition of a portion of the hospital facility and construction of an approximately 13,500 sq. ft. medical clinic lobby, food service, dining, pharmacy shell, receiving dock area and ambulance garage; (ii) obstetrics component: relocation of the obstetrics unit from the current North wing to an area adjacent to the current medical/surgical nurses station and renovation and remodeling in connection with the foregoing; (iii) medical/surgical component: construction of a new 16-bed medical/surgical unit extending South from the current patient wing, renovation and remodeling relating to the foregoing; and (iv) lower level basement area component: renovation of the lower level basement to permit the relocation of home health care, administration, business office, medical records and cardiac rehabilitation services, along with renovation and remodeling relating to the foregoing;

"Project Fund" shall mean the fund required to be established by this Resolution for the deposit of the proceeds of the Loan;

"Registrar" shall mean Norwest Bank Iowa, National Association, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a registrar of the owners of the Bonds. Unless otherwise specified, the Registrar shall also act as transfer agent for the Bonds;

"Revenue Maintenance And Payment Agreement" shall mean the Revenue Maintenance And Payment Agreement dated as of December 1, 1997 between the Issuer and the Hospital, including any amendment thereof.

"Series Reserve Fund Requirement" shall mean, with respect to the Bonds or any series of Parity Obligations, an amount equal to the lesser of (i) 50% of the maximum principal and interest due in any Fiscal Year with respect to the Bonds or series of Parity Obligations, (ii) 125% of the average annual debt service payment with respect to the Bonds or series of Parity Obligations and (iii) 10% of the original principal amount of the Bonds or series of Parity Obligations. The Series Reserve Fund Requirement for the Bonds is set forth in the Loan Agreement.

"Tax Certificate" shall mean the Tax and Arbitrage Certificate executed by the Issuer and delivered at the time of issuance and delivery of the Loan Agreement.

Section 2. Authority. The Loan Agreement shall be entered into and the Bonds shall be issued pursuant to Chapter 331 of the Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa.

Section 3. Authorization and Purpose. The Issuer is hereby authorized to enter into the Loan Agreement with the Lender for purposes of financing the costs of the Project. The Chairperson and County Auditor are hereby authorized to execute and deliver the Loan Agreement on behalf of the Issuer in the form substantially as submitted to and on file with the Board with such changes therein in as may be determined at the time of marketing the Bonds, all of which shall be deemed to be approved by the Board upon execution and delivery thereof by the aforementioned Chairperson and County Auditor. Hospital Revenue Bonds (Mitchell County Memorial Hospital Project), Series 1997, in the aggregate principal amount of $4,000,000 are hereby authorized to be issued to evidence the payment obligation of the Issuer under the Loan Agreement.

Section 4. Source of Payment. The Bonds and any Parity Obligations and the interest thereon shall be payable solely out of the Net Revenues and shall be a first lien on the future Net Revenues. The Bonds shall not be general obligations of the Issuer, shall not be payable from or constitute a lien against the Issuer's General Fund, shall not be payable in any manner by taxation, and the Issuer shall be in no manner liable by reason of the failure of the Net Revenues to be sufficient for the payment of the Bonds.

Section 5. Bond Details. To evidence the Loan, the Bonds in the aggregate principal amount of $4,000,000 shall be issued pursuant to the provisions of the Loan Agreement and this Resolution. The Bonds shall be designated "HOSPITAL REVENUE BONDS (MITCHELL COUNTY MEMORIAL HOSPITAL PROJECT), SERIES 1997", be dated as of date of delivery to the original purchasers thereof, and bear interest from the date thereof, until payment thereof, payable at the principal office of the Paying Agent, on June 1, 1998, and semiannually thereafter on the 1st day of June and December in each year until maturity at the rates hereinafter provided. Interest will be computed on the basis of a year of 360 days having twelve 30 day months. The interest on the Bonds shall be at rates which produce an average rate of interest of not to exceed 7.50% per annum, the interest rates, the principal amounts maturing in each year and other terms and provisions shall be determined by the Lender and the Hospital at the time of marketing of the Bonds and included in the final form of Loan Agreement and the Bond Purchase Agreement at the time of their execution and delivery.

The Bonds shall be executed by the facsimile signature of the Chairperson and attested by the facsimile signature of the County Auditor, and printed or impressed with the Corporate Seal and shall be fully registered as to both principal and interest as provided in this Resolution. The issuance of the Bonds shall be recorded in the office of the County Treasurer and the certificate on each Bond shall be executed with the official manual or facsimile signature of the County Treasurer. The principal of, and premium, if any, on any Bond shall be payable at the office of the Paying Agent upon presentation and surrender of the Bond. Interest on each Bond shall be paid by mailing of a check to the registered owner of the Bonds. The Bonds shall be each in the denomination of $5,000 or integral multiples thereof. Said Bonds shall mature and bear interest as set forth in the Loan Agreement.

Notwithstanding anything above to the contrary, the Bonds shall be issued initially as Depository Bonds, with one fully registered Bond for each maturity date, in principal amounts equal to the amount of principal maturing on each such date, and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). On original issue, the Bonds shall be deposited with DTC for the purpose of maintaining a book-entry system for recording the ownership interests of its participants and the transfer of those interests among its participants (the "Participants"). In the event that DTC determines not to continue to act as securities depository for the Bonds or the Issuer determines not to continue the book-entry system for recording ownership interests in the Bonds with DTC, the Issuer will discontinue the book-entry system with DTC. If the Issuer does not select another qualified securities depository to replace DTC (or a successor depository) in order to continue a book-entry system, the Issuer will register and deliver replacement bonds in the form of fully registered certificates, in authorized denominations of $5,000 or integral multiples of $5,000, in accordance with instructions from Cede & Co., as nominee for DTC. In the event that the Issuer identifies a qualified securities depository to replace DTC, the Issuer will register and deliver replacement bonds, fully registered in the name of such depository, or its nominee, in the denominations as set forth above, as reduced from time to time prior to maturity in connection with redemptions or retirements by call or payment, and in such event, such depository will then maintain the book-entry system for recording ownership interests in the Bonds.

Ownership interest in the Bonds may be purchased by or through Participants. Such Participants and the persons for whom they acquire interests in the Bonds as nominees will not receive certificated Bonds, but each such Participant will receive a credit balance in the records of DTC in the amount of such Participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures. Each such person for which a Participant has an interest in the

Bonds, as nominee, may desire to make arrangements with such Participant to have all notices of redemption or other communications of the Issuer to DTC, which may affect such person, forwarded in writing by such Participant and to have notification made of all interest payments.

The Issuer will have no responsibility or obligation to such Participants or the persons for whom they act as nominees with respect to payment to or providing of notice for such Participants or the persons for whom they act as nominees.

As used herein, the term "Beneficial Owner" shall hereinafter be deemed to include the person for whom the Participant acquires an interest in the Bonds.

DTC will receive payments from the Issuer, to be remitted by DTC to the Participants for subsequent disbursement to the Beneficial Owners. The ownership interest of each Beneficial Owner in the Bonds will be recorded on the records of the Participants whose ownership interest will be recorded on a computerized book-entry system kept by DTC.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Issuer to DTC, DTC shall forward (or cause to be forwarded) the notices to the Participants so that the Participants can forward the same to the Beneficial Owners.

Beneficial Owners will receive written confirmations of their purchases from the Participants acting on behalf of the Beneficial Owners detailing the terms of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished by book entries made by DTC and the Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except as specifically provided herein. Interest and principal will be paid when due by the Issuer to DTC, then paid by DTC to the Participants and thereafter paid by the Participants to the Beneficial Owners.

Section 6. Redemption. Unless otherwise determined by the Lender and the Hospital at the time of marketing of the Bonds and reflected in the final form of the Loan Agreement, the Bonds due on or after December 1, 2003 shall be subject to redemption on or after December 1, 2002, in whole on any date or in part on any interest payment date, in inverse order of maturity and within a maturity by lot at the option of the Hospital, or in such other manner deemed fair by the Registrar, at par plus accrued interest to the date of redemption, by giving thirty days' notice of redemption by certified or registered mail to the registered owner of the Bond.

The Bonds shall also contain mandatory sinking fund redemption provisions as finally determined by the Hospital and the Lender at the time of marketing of the Bonds and included in the final form of the Loan Agreement.

The Issuer agrees to redeem the Bonds in such amounts on such dates as are provided in the Loan Agreement.

If selection by lot within a maturity is required, the Registrar shall by random selection of the names of the registered owners of the entire annual maturity, or by such other manner deemed fair by the Registrar, select the Bonds to be redeemed until the total amount of Bonds to be called has been reached.

Failure to give such notice of redemption by mail to any registered owner of the Bonds or portion thereof or any defect therein shall not affect the validity of any proceedings for the redemption of any Bonds or any portion thereof not affected by such failure or defect. All Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment on the specified redemption date.

Section 7. Registration of Bonds; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. Norwest Bank Iowa, National Association, is hereby appointed as Registrar and Paying Agent under the terms of this Resolution and the Chairperson of the Board of Supervisors of the Issuer and the County Auditor are hereby authorized and directed to execute and deliver an agreement with the Registrar relating to the performance of its duties as Registrar and Paying Agent hereunder. The Registrar shall maintain the books of the Issuer for the registration of ownership of the Bonds for the payment of principal of and interest on the Bonds as provided in this Resolution. All Bonds shall be negotiable, subject to the provisions for registration and transfer contained in the Bonds and in this Resolution.

(b) Transfer. The ownership of any Bonds may be transferred only upon the Registration Books kept for the registration and transfer of Bonds and only upon surrender thereof at the principal office of the Registrar together with an assignment duly executed by the holder or his or her duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Bond (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Bond, a new fully registered Bond, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Bond, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Bonds. In all cases of the transfer of the Bonds, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Bonds, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Bond, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bonds and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Bonds which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Bonds which are cancelled by the Registrar shall be destroyed and a certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Bonds to the Issuer.

(f) Non-Presentment of Bonds. In the event any check in payment of interest on the Bonds is returned to the Paying Agent or is not presented for payment, or if any Bond is not presented for payment of principal at the maturity or redemption date thereof, if funds sufficient to pay such interest and principal shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Bonds shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Bonds who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his or her part under this Resolution or on, or with respect to, such interest or Bonds. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at which time the Paying Agent, shall surrender any remaining funds so held to the Issuer, whereupon any claim under this Resolution by the owners of such Bonds of whatever nature shall be made upon the Issuer.

Section 8. Reissuance of Mutilated, Destroyed, Stolen or Lost Bonds. In case any outstanding Bonds shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of the Registrar authenticate and deliver a new Bond of like tenor and amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender of such mutilated Bond to the Registrar, or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the

Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 9. Record Date. Payments of interest made in respect of any Bond, shall be made to the registered holder thereof or to their designated agent as the same appear on the books of the Registrar on the 15th day of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect to such Bonds to the extent of the payments so made. Payment of principal shall only be made upon surrender of the Bond to the Paying Agent.

Section 10. Execution, Authentication and Delivery of the Bond Purchase Agreement and the Loan Agreement and the Bonds. Following the adoption of this Resolution the Chairperson of the Board of Supervisors of the Issuer and the County Auditor shall execute and deliver the Bond Purchase Agreement. On the Closing Date (as defined in the Bond Purchase Agreement) the Chairperson of the Board of Supervisors of the Issuer and County Auditor shall execute the Loan Agreement and deliver the same to the Lender and shall execute and deliver the Bonds to the Registrar. The Registrar shall authenticate the Bonds and deliver the same to or upon order of the Lender. No Bond shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall endorse and execute by manual signature on such Bond a certificate of authentication substantially in the form of the certificate set forth on the form of Bond attached to the Loan Agreement. Such certificate upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly issued under this Resolution and the Loan Agreement and that the holder thereof is entitled to the benefits of this Resolution.

Section 11. Form of Bonds. The Bonds shall be in substantially the form attached as Schedule I to the Loan Agreement.

Section 12. Right to Name Substitute Paying Agent or Registrar. The Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered Bondholder.

Section 13. Equality of Lien. The timely payment of principal of and interest on the Bonds and any Parity Obligations shall be secured equally and ratably by the Net Revenues of the Hospital without priority by reason of number or time of sale or delivery; and the Net Revenues of the Hospital are hereby irrevocably pledged to the timely payment of both principal of and interest on the same as the same become due.

Section 14. Application of Loan Proceeds; Deposits by the Hospital. The proceeds of the Loan shall be credited to a separate and special fund to be maintained by the Hospital known as the Mitchell County Memorial Hospital Project Fund (the "Project Fund") and expended for the costs of the Project and the costs of issuance of the Bonds. In addition, on the date of issuance and delivery of the Bonds, the Hospital shall deposit an amount equal to the Series Reserve Fund Requirement for the Bonds into the Debt Service Reserve Fund established pursuant to Section 16(c) hereof. Any amounts on deposit in the Project Fund shall be available for the payment of the principal of or interest on the Bonds at any time that the Net Revenues of the Hospital or other available funds of the Hospital or the Issuer shall be insufficient for that purpose, in which event such funds shall be repaid to the Project Fund at the earliest opportunity. Any balance on deposit in the Project Fund and not immediately required for its purposes may be invested not inconsistent with limitations provided by law, the Internal Revenue Code of 1986, as amended or this Resolution.

Section 15. Patient Rates and Charges. There has heretofore been established as required by law, just and equitable fees, rates and charges for the use of the services rendered by the Hospital. So long as the Bonds and any Parity Obligations are outstanding and unpaid, the fees, rates and charges to consumers of services of the Hospital shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the Hospital and for the payment of principal and interest on the Bonds and any Parity Obligations as the same fall due and to provide for the creation and maintenance of reasonable reserves. Specifically, the Issuer agrees that the Hospital shall establish fees, rates and charges for its services such that the Income Available for Debt Service for each Fiscal Year, shall equal or exceed 115 percent of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding; provided, however, that the failure of the Hospital to meet such financial covenant shall not constitute a default hereunder so long as, for the relevant Fiscal Year and the two preceding Fiscal Years, the average Income Available for Debt Service equals or exceeds 115 percent of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding.

In the event the Issuer or any department, agency or instrumentality thereof in any way uses or is served by the Hospital, the rates, fees or charges provided for shall be paid by the Issuer from its general fund, or by such department, agency or instrumentality thereof. Any such revenues so collected by the Board of Trustees shall be used and accounted for in the same manner as any other revenues derived from the operations of the Hospital.

Section 16. Application of Revenues. From and after the delivery of any Bonds, and as long as any of the Bonds or any Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Bonds and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the Hospital shall be applied to the payment of the Operating Expenses of the Hospital, to make the deposits to the Sinking Fund and Debt Service Reserve Fund as hereinafter provided, and for the other lawful purposes of the Hospital.

(a) Sinking Fund. A separate and special fund shall be established and maintained by the Hospital to pay principal of and interest on the Bonds and any Parity Obligations. The fund shall be known as the Mitchell County Memorial Hospital Principal and Interest Sinking Fund (the "Sinking Fund"). The Hospital shall deposit into the Sinking Fund each month an amount equal to 1/6th of the interest coming due during the next six months on the then outstanding Bonds and/or Parity Obligations plus 1/12th of the principal coming due on such Bonds and/or Parity Obligations during the next twelve months (whether by maturity or pursuant to mandatory redemption provisions). If for any reason the amount on deposit in the Sinking Fund exceeds the required amount, the excess may be forthwith withdrawn therefrom by the Hospital. If for any reason the amount on deposit in the Sinking Fund is less than the required amount, the deficit shall forthwith be made up by the Hospital from its available funds, or if no such funds are available, from amounts on deposit in the Debt Service Reserve Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Bonds and Parity Obligations as the same shall become due and payable.

(b) Debt Service Reserve Fund. A separate and special fund shall be established and maintained by the Hospital to be known as the Mitchell County Memorial Hospital Debt Service Reserve Fund (the "Debt Service Reserve Fund") to maintain a debt service reserve for the Bonds and any Parity Obligations. An initial deposit to the credit of the Debt Service Reserve Fund in the amount of the Series Reserve Fund Requirement for the Bonds shall be made at the time of issuance and delivery of the Bonds in accordance with Section 14 hereof. If it is necessary to replenish the Debt Service Reserve Fund to restore or maintain the Debt Service Reserve Requirement, in each month there shall be deposited in the Debt Service Reserve Fund an amount equal to eight percent (8%) of the amount required by this Resolution to be deposited in such month in the Sinking Fund; provided, however, that when the amount on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Requirement, no further deposits shall be made into the Debt Service Reserve Fund except to maintain said fund at such level, and when the amount on deposit in the Debt Service Reserve Fund is greater than the Debt Service Reserve Requirement, all additional amounts may be withdrawn therefrom by the Hospital. Money in the Debt Service Reserve Fund shall be used solely for the purpose of paying principal at maturity or mandatory redemption of or interest on the Bonds and any Parity Obligations for the payment of which (after transfer thereto from other funds, as provided in paragraph (b)) insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Debt Service Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the Debt Service Reserve Requirement.

As of December 1, 1999 and as of each two year anniversary thereof, the investments held in the Debt Service Reserve Fund shall be valued at their fair market value and a report of valuation shall be prepared by or on behalf of the Hospital and a copy shall be provided to the Lender and any Bondholder that requests it. Any deficiency or surplus in the Debt Service Reserve Fund as of such valuation date, and after taking into account the fair market value of the investments therein, shall be dealt with in the manner prescribed in the preceding paragraph.

The Hospital shall make the deposits into the various funds and accounts hereinbefore referred to in the order in which said funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the Hospital shall not have sufficient funds to deposit or transfer the required amount in any of said funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full.

Moneys in the Project Fund, the Sinking Fund and the Debt Service Reserve Fund may be invested only in direct obligations of or obligations the prompt payment of the principal of and interest on which are fully and unconditionally guaranteed by the United States of America or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one financial institution shall be continuously secured by a valid pledge of direct obligations of the United States of America having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for the purposes for which said fund was created or otherwise as herein provided but in no event having a maturity of more than five (5) years in the case of the Debt Service Reserve Fund. The Sinking Fund and the Debt Service Reserve Fund shall be maintained in a separate account but may be invested in conjunction with other funds of the Hospital but designated as a trust fund on the books and records of the Hospital. All other funds of the Hospital shall be invested in accordance with applicable provisions of Iowa law.

All income derived from such investments shall be regarded as revenues of the Hospital. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 17. Covenants Regarding the Operation of the Hospital. The Issuer hereby covenants and agrees with each and every holder of the Bonds and any Parity Obligations:

(a) Maintenance and Efficiency. That the Hospital will maintain the Hospital in good condition and operate it in an efficient manner and at reasonable cost.

(b) Rates. That on or before the beginning of each Fiscal Year, the Hospital will adopt or continue in effect rates for all services rendered by the Hospital sufficient to produce revenues for the next succeeding Fiscal Year sufficient to meet the requirements of Section 15 of this Resolution. For purposes of the last clause of the next preceding sentence, revenues shall be those for the next succeeding Fiscal Year as determined from the budget for such year as required herein, and for purposes of such determination, the budgeted total revenues may be increased by the amount, if any, by which deposits into the Sinking Fund during the current Fiscal Year shall have exceeded the requirement of this Resolution.

(c) Insurance. That the Hospital shall maintain insurance on the insurable portions of the Hospital of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business, including, but not limited to, comprehensive general public liability insurance, workers compensation insurance, use and occupancy insurance, hospital professional liability insurance and boiler insurance. Not less than once every two years the Hospital shall engage an independent insurance consultant experienced in judging the amounts and kinds of insurance carried by private companies engaged in a similar kind of business to make recommendations to the Hospital with respect to its insurance coverage, and the Hospital shall follow such recommendations. The proceeds of any insurance, except public liability insurance, may be used to repair or replace the part or parts of the Hospital damaged or destroyed, or if not so used may be used for the lawful purposes of the Hospital.

(d) Accounting and Audits. That the Hospital will cause to be kept proper books and accounts adapted to the Hospital and in accordance with generally accepted accounting practices, and will cause the books and accounts to be audited annually but not later than 120 days after the end of each Fiscal Year by an Independent Auditor and will file copies of the audit report with the Lender and will make generally available, upon request, to the holders of any of the Bonds and Parity Obligations, the balance sheet and the operating statement of the Hospital as certified by such auditor. The Lender and holders of any of the Bonds and Parity Obligations shall have at all reasonable times the right to inspect the Hospital and the records, accounts and data of the Issuer and the Hospital relating thereto. It is further agreed that if the Issuer shall fail to provide the audits and reports required by this subsection, the Lender or the holder or holders of 25% of the aggregate principal amount of outstanding Bonds and Parity Obligations may cause such audits and reports to be prepared at the expense of the Hospital. The audit reports required by this subsection shall include, but may not be limited to, the following:

(i) balance sheet;

(ii) statement of revenues and expenses;

(iii) analyses of each fund and account created hereunder, including deposits, withdrawals and beginning and ending balances;

(iv) evaluation of the manner in which the Hospital has complied with the covenants of this Resolution, including particularly the rate covenants included herein;

(v) schedule of insurance policies and fidelity bonds in force at the end of the Fiscal Year, showing with respect to each policy and bond the nature of the risks covered, the limits of liability, the name of the insurer, and the expiration date;

(vi) evaluation of the Hospital's internal financial controls and the sufficiency of fidelity bond and insurance coverage in force;

(vii) names and titles of the principal officers of the Hospital; and

(viii) general statement covering any events or circumstances which might affect the financial status of the Hospital.

In the event the audit provided for in this Section is prepared by the State Auditor, the Governing Body will cause to be prepared a certified supplemental report containing the information required by this Section.

(e) State Laws. That the Hospital will faithfully and punctually perform all duties with reference to the Hospital required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the Hospital as above provided, and will segregate the revenues of the Hospital and apply said revenues to the funds specified in this Resolution.

(f) Property. That neither the Issuer nor the Hospital will sell, lease, mortgage or in any manner dispose of the Hospital, or any capital part thereof, including any and all additions that may be made thereto, until satisfaction and discharge of all of the Bonds and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, this covenant shall not be construed to prevent the Hospital's disposal of property which in the judgment of the Board of Trustees has become inexpedient, unprofitable or unnecessary for use in connection with the Hospital, or if it is to the advantage of the Hospital that other property of equal or higher value be substituted therefor.

(g) Fidelity Bond. That the Hospital shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the Hospital.

(h) Budget. That the Hospital will adopt, a budget of revenues and current expenses on or before the end of each Fiscal Year for the ensuing Fiscal Year, and will file copies of such budgets, and any amendments thereto, with the Lender and any Bondholder requesting the same. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Years. The Hospital will incur no operating expense not included in such budget, and will not permit total operating expenses to exceed the budget, unless the Board of Trustees shall first have adopted a resolution, which has been filed with the Issuer, declaring the necessity of such expenses. A copy of any such resolution shall be provided to the Lender and to any Bondholder requesting it.

(i) Consultant. If in any Fiscal Year Income Available for Debt Service shall be less than one hundred fifteen percent (115%) of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding as determined by the annual audit of the Hospital, the Hospital will, within thirty (30) days following the delivery of the audit report, employ a Management Consultant to make a written report evaluating the performance of the Hospital and recommending corrective measures. Notwithstanding the foregoing, the Hospital may employ its Independent Accountant in lieu of a Management Consultant to provide the report described in the preceding sentence if (i) Income Available for Debt Service for the applicable Fiscal Year is not less than one hundred ten percent (110%) of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding , and (ii) Income Available for Debt Service for the Fiscal Year immediately preceding the applicable Fiscal Year is not less than one hundred fifteen percent (115%) of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding. The Hospital will comply with the recommendations of said report, and the Hospital shall indicate such intentions in a report filed with the Issuer. A copy of the Management Consultant's report and the Hospital's report shall be provided to the Lender and to each Bondholder that requests.

So long as the Hospital is otherwise in full compliance with its obligations under this Resolution, including following, to the fullest extent feasible, the recommendations of the Management Consultant, it shall not constitute a default hereunder that the Income Available for Debt Service for any Fiscal Year is less than 115% of the maximum amount due in any Fiscal Year for the payment of principal of and interest on any of the Bonds and Parity Obligations at the time outstanding.

Section 18. Events of Default; Remedies. The failure by the Issuer or the Hospital to observe or perform any covenant, condition or agreement on its part contained in this Resolution, the Loan Agreement or the Bonds shall constitute an event of default. Except as herein expressly limited, the holder or holders of the Bonds and any Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their obligation, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer and the Hospital hereunder, including, but not limited to the right to a proceeding in law or in equity by suit, action or mandamus to enforce and compel performance of the duties required by Iowa law and this Resolution, or to obtain the appointment of a receiver to take possession of or operate the Hospital and to perform the duties required by Iowa law and this Resolution or employ the services of a Management Consultant to assist in the management of the Hospital.

Section 19. Prior Lien and Parity Obligations. The Issuer will issue no other bonds, notes or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the Hospital having priority over the Bonds or Parity Obligations.

Parity Obligations may be issued from time to time by the Issuer for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Bonds or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding Parity Obligations and for the payment of which there shall be insufficient money in the Sinking Fund and the Debt Service Reserve Fund;

(b) For the purpose of refunding any of the Bonds or Parity Obligations if the maximum amount that will be required in any Fiscal Year during the life of the Bonds and Parity Obligations then outstanding that will remain outstanding after such refunding for the payment of both principal of and interest on all Bonds and Parity Obligations remaining outstanding after such refunding and the Parity Obligations then proposed to be issued will not then exceed the maximum amount that would be required during such Fiscal Year for the payment of both principal of and interest on all Bonds and Parity Obligations that would be outstanding if no such refunding occurred;

(c) For the purpose of refunding any of the Bonds or Parity Obligations or other obligations of the Issuer issued for the purpose of financing additions, replacements or improvements to the Hospital as may be outstanding, or for the purpose of financing any additions, improvements or replacements to or equipment for the Hospital, if all of the following conditions shall have been met:

(i) before any such Parity Obligations are issued, there will have been procured and filed with the County Auditor either:

(x) a statement of an Independent Auditor, reciting the opinion based upon necessary investigations that the Income Available for Debt Service of the Hospital for the last two preceding Fiscal Years were equal to at least one hundred twenty percent (120%) of the maximum amount that will be required in any Fiscal Year during the life of the then outstanding Bonds and Parity Obligations for the payment of both principal of and interest on all Bonds and Parity Obligations then outstanding and the Parity Obligations then proposed to be issued; or

(y) a report or opinion (a "Consultant's Report") of an independent consultant knowledgeable in the financial affairs of hospitals (an "Independent Consultant") to the effect that the estimated annual Income Available for Debt Service for each of the first two full Fiscal Years following the estimated completion of the acquisition, construction, renovation or replacement being paid for with the proceeds of such Parity Obligations, will be not less than one hundred twenty-five percent (125%)

of the maximum amount that will be required in any Fiscal Year during the life of the then Outstanding Bonds and Parity Obligations for the payment of both principal of and interest on all Bonds and Parity Obligations then outstanding, and the Parity Obligations then proposed to be issued after giving effect to the issuance of such Parity Obligations and the application of the proceeds thereof.

(ii) for the purpose of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iii) upon the issuance of any Parity Obligations, the Hospital shall provide for a deposit to the credit of the Debt Service Reserve Fund in an amount which, when added to the amount then on deposit therein will bring the amount on deposit therein to an amount equal to the Debt Service Reserve Requirement, but only to the extent that such immediate funding is, in the opinion of Bond Counsel, permitted by law and consistent with the requirements for tax exemption under Federal income tax laws and regulations in effect on the date of issuance of such Parity Obligations;

(d) For the purpose of financing the completion of the Project or any facilities for which Parity Obligations have been issued in an amount not to exceed 20% of the principal amount of the Bonds or the Parity Obligations originally issued to finance the Project or such facilities, as the case may be; or

(e) For the purpose of financing additions, replacements or improvements or equipment for the Hospital; provided however, that the aggregate principal amount of Parity Obligations issued pursuant to this subparagraph (e) during any Fiscal Year shall not exceed $100,000.

Section 20. Disposition of Loan Proceeds; Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the Bonds authorized hereunder which will cause any of the Bonds to be classified as arbitrage bonds within the meaning of Section 148(a) and (b) of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), and that throughout the term of the Loan Agreement it and the Hospital will comply with the requirements of the Internal Revenue Code and regulations issued thereunder.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds. Without limiting the generality of the foregoing, the Issuer hereby agrees to comply with the provisions of the Tax Certificate and the provisions of the Tax Certificate are hereby incorporated by reference as part of this Resolution.

Section 21. Additional Covenants, Representations and Warranties of the Issuer. The Issuer certifies and covenants with the purchasers and holders of the Bonds from time to time outstanding that the Issuer through its officers, (a) will make such further specific covenants, representations and assurances as may be necessary or advisable to establish the tax exempt status of the Bonds; (b) comply with all representations, covenants and assurances contained in the Tax Certificate, which Tax Certificate shall constitute a part of the contract between the Issuer and the owners of the Bonds; (c) consult with bond counsel (as defined in the Tax Certificate); (d) pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Bonds; (e) file such forms, statements and supporting documents as may be required and in a timely manner; and (f) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance.

Section 22. Amendment of Resolution to Maintain Tax Exemption. This Resolution may be amended without the consent of any owner of the Bonds, if, in the opinion of bond counsel, such amendment is necessary to maintain tax exemption with respect to the Bonds under applicable Federal laws or regulations.

Section 23. Qualified Tax-Exempt Obligations. For the sole purpose of qualifying the Bonds as "qualified tax-exempt obligations pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, the Issuer designates the Bonds as qualified tax-exempt obligations and represents that the reasonably anticipated amount of tax-exempt government and Section 501(c)(3) obligations which will be issued during the current calendar year will not exceed $10 million.

Section 24. Discharge and Satisfaction of Loan. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds and Parity Obligations, or any of them, in any one or more of the following ways:

(a) By paying the Bonds or Parity Obligations when the same shall become due and payable; or

(b) By depositing in trust with a corporate trustee designated by the Governing Body for the payment of said obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which said obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any that may be payable on the redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publications.

Upon such payment or deposit of money or securities, or both, in the amount and manner provided by this Section, all liability of the Issuer with respect to the Loan, the Bonds and Parity

Obligations shall cease, determine and be completely discharged, and the holders thereof shall be entitled only to payment out of the money or securities so deposited.

Section 25. Continuing Disclosure.

(a) Limited Exemption from Rule. The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (as in effect and interpreted from time to time, the "Rule") which govern the obligations of certain underwriters to require that issuers of municipal bonds enter into contracts for the benefit of the bondholders to provide continuing disclosure with respect to the Bonds. This Governing Body hereby finds, determines and declares that the Bonds are exempt from the application of paragraph (b)(5) of the Rule by reason of the exemption granted in paragraph (d)(2) thereof. Specifically, this Board hereby finds that the only "obligated persons" (within the meaning of the Rule) with respect to the Bonds are the Issuer and the Hospital and that, giving effect to the issuance of the Bonds and any other securities required to be integrated with the Bonds, there will be no more than $10 million in principal amount of municipal securities outstanding on the date of issuance of the Bonds as to which the Issuer and the Hospital are obligated persons (excluding municipal securities exempt from the Rule under paragraph (d)(1) thereof because, among other things, they were issued in minimum denominations of $100,000). In making such finding, the Issuer hereby represents that it has not issued within the six months before the date of issuance of the Bonds and that it reasonably expects that it will not issue within six months after the date of issuance of the Bonds, other securities of the Issuer of substantially the same security and providing financing for the same general purpose or purposes as the Bonds are the Issuer and the Hospital. The exemption from the Rule for the Bonds is conditioned upon the Issuer and the Hospital agreeing to provide certain continuing disclosure as hereinafter provided.

(b) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of the Rule, which will enhance the marketability of the Bonds, the Issuer and the Hospital hereby make the covenants and agreements contained in this section for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds.

If the Issuer or the Hospital fail to comply with any provisions of this Section, any person aggrieved thereby, including the Owners of any outstanding 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 specific performance or a writ of mandamus. Notwithstanding anything to the contrary contained herein, in no event shall a default under this Section constitute a default under the Bonds or under any other provision of this Resolution.

As used in this Section, "Owner" or "Bondowner" means, with respect to a Bond, the registered owner or owners thereof appearing in the 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, with respect to 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 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for Federal income tax purposes.

(c) Information To Be Disclosed. The Issuer and the Hospital will provide, either directly or indirectly through an agent designated by the Issuer and the Hospital, the following information at the following times in an appropriate manner:

(1) Within 180 days following the end of each of its Fiscal Years, the Hospital shall compile a report containing information (the "Disclosure Information") of the type contained in (a) the Official Statement under the headings "THE BONDS - Debt Service Coverage Ratio," and in Appendix A under the headings, "Service Area Competition", "Utilization" and "Summary of Combined Statements of Income and Expenses," and in Appendix B under the headings "Median Family Income" and "Major Employers," and (b) the financial statements in Appendix C for such fiscal year, which shall be the Hospital's audited financial statements if an audit is performed for such fiscal year or, if no audit is performed for such fiscal year, may be unaudited, and (c) other such financial information and operating data which is customarily prepared by the Hospital and is publicly available. The Disclosure Information shall be made available at any time upon request by any person and at least annually, within 180 days of the end of the Hospital's Fiscal Year, to the state information depository then designated or operated by the State of Iowa (the "State Depository"), if any, and to Kenny Information Systems, Inc., Attn: Kenny Depository Service, 65 Broadway, 16th Floor, New York, NY 10006. A copy of the Disclosure Information shall also be provided to the Lender at the same time it is made available to Kenny Depository Service.

The Administrator of the Hospital is hereby designated as the proper recipient of requests for Disclosure Information.

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 then nationally recognized municipal securities information repository under the Rule 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 or the Hospital shall clearly identify in the Disclosure Information each document so incorporated by reference.

If the Disclosure Information is changed because it is no longer compiled or publicly available or this paragraph (c)(1) is amended as permitted by subsection (d), then the Issuer or the Hospital 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 information provided.

(2) In a timely manner, to the Municipal Securities Rulemaking Board and to the State Depository, if any, 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, to the Municipal Securities Rulemaking Board and to the State Depository, if any, notice of the occurrence of any of the following events or conditions:

(A) 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 or the Hospital under subsection (d)(2); and

(B) the termination of the obligations of the Issuer or the Hospital under this Section pursuant to subsection (d);

(C) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and

(D) any change in the Fiscal Year of the Hospital.

(d) Waiver of Exemption. At the option of the Hospital, at any time the Hospital may elect to waive the exemption from Rule 15c2-12 provided by paragraph (d)(2) of such Rule and to comply with the Rule as then in effect as if such exemption were not available. In such event, the Hospital shall enter into to such agreements or certificates and take such other actions as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Rule without regard to such exemption. The parties agree that the Disclosure Information specified in paragraph (c)(1) of this Section shall be the information which is material for purposes of paragraph (b)(5) of the Rule, except that the annual financial statements of the Hospital must be audited. In the event of a waiver of the exemption pursuant to this paragraph, the Hospital shall notify the Lender, Kenny Depository Service and any person who has requested the Disclosure Information within the year preceding the waiver and shall also notify any person requesting Disclosure Information following the waiver of how such information may be obtained under the Rule.

(e) Term; Amendments; Interpretation. The covenants of the Issuer and the Hospital in this Section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the Issuer and the Hospital under this Section shall terminate and be without further effect as of any date on which the Issuer or the Hospital 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 or the Hospital to comply with the requirements of this Section will not cause participating underwriters in the primary offering of the 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.

This Section may be amended or supplemented by the Issuer from time to time, without notice to or the consent of the Owners of any Bonds, by a resolution of this Board accompanied by an opinion of Bond Counsel, who may rely on certificates of the Issuer and the Hospital 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 Hospital or the type of operations conducted by the Hospital, or (b) is required by, or better complies with, the provisions of paragraph (d)(2) of the Rule; (ii) this Section as so amended or supplemented would have complied with the requirements of paragraph (d)(2) of the Rule at the time of the primary offering of the 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 Owners under the Rule. This Section is entered into to comply with, and should be construed so as to satisfy the requirements of, paragraph (d)(2) of the Rule.

(f) Limitation of Liability of Issuer. If and to the extent the limitations of liability contained in subsection (b) are not effective, anything contained in this Section to the contrary notwithstanding, in making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to the Net Revenues of the Hospital. None of the agreements or obligations of the Issuer contained herein shall be construed to constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions whatsoever or constitute a pledge of the general credit or taxing powers of the Issuer.

Section 26. Resolution of Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Bonds and Parity Obligations, and after the issuance of any of the Bonds, no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Bonds and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 27. Modification of Resolution. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Bonds and Parity Obligations at any time outstanding, but this Resolution may not be so amended in such manner as to:

(a) Make any change in the maturity or interest rate of the Bonds or Parity Obligations, or modify the terms of payment of principal of or interest on the Bonds or Parity Obligations or any of them or impose any conditions with respect to such payments;

(b) Materially affect the rights of the holders of less than all of the Bonds and Parity Obligations then outstanding; and

(c) Reduce the percentage of the principal amount of Bonds and Parity Obligations, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Lender and the Hospital and to be mailed by certified or registered mail to the registered owners of the Bonds and any Parity Obligations. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the County Auditor.

Whenever at any time within one year from the date of the mailing of said notice there shall be filed with the County Auditor an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Bonds and Parity Obligations then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body may adopt such amendatory Resolution and such Resolution shall become effective and binding upon the holders of all of the Bonds and Parity Obligations.

Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Bond or Parity Obligations during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the County Auditor.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him or her the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds or Parity Obligations held by any person executing such instrument and the date of his or her holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had a deposit with such bank or trust company the Bonds or Parity Obligations described in such certificate.

Section 28. Compliance by the Hospital With this Resolution. The Hospital will agree to comply with the provisions hereof in the Revenue Maintenance and Payment Agreement which is hereby authorized and the Chairperson of the Board of Supervisors and the County Auditor are hereby directed to execute and deliver the Revenue Maintenance and Payment Agreement.

Section 29. Bond Purchase Agreement. The Bond Purchase Agreement is hereby approved and the Chairperson of the Board of Supervisors and the County Auditor are hereby directed to execute and deliver the Bond Purchase Agreement on behalf of the Issuer.

Section 30. Official Statement. The use by the Lender of a Preliminary Official Statement and a final Official Statement (together the "Official Statement"), in connection with the sale of the Bonds is hereby authorized and approved; provided such authorization and approval shall not be deemed to include authorization and approval of information contained in such Official Statement other than information describing the Issuer, but nothing contained in this Resolution shall be construed as prohibiting or limiting the Lender and the Hospital from including such information as they deem appropriate; the Chairperson of the
Board of Supervisors and/or County Auditor are authorized to execute such Official Statement, if requested; and such Official Statement as of its date will be, by approval thereof by the Chairperson of the Board of Supervisors, deemed final by the Issuer within the meaning of Rule 15c2-12(b)(1) of the Securities and Exchange Commission.

Section 31. 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.

Section 32. Repeal of Conflicting Ordinances, Resolutions and Orders, and Effective Date. All other ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this

Resolution area, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

Adopted and approved this 9th day of December, 1997.

Betty McCarthy
Chairperson, Board of Supervisors

ATTEST:

Sandra Heckstein
County Auditor

STATE OF IOWA)
) SS:
COUNTY OF MITCHELL)

I, the undersigned, Auditor, County of Mitchell, State of Iowa, do hereby certify that I have in my possession or have access to the complete corporate records of said County and of its Board of Supervisors and officers; and that I have carefully compared the transcript hereto attached with the aforesaid corporate records and that said transcript hereto attached is a true, correct and complete copy of all of the corporate records showing the action taken with respect to the matters set forth therein by the Board of Supervisors of said County on the date shown therein, which proceedings remain in full force and effect, and have not been amended or rescinded in any way; that such meeting was duly and publicly held in accordance with the Notice of Meeting and tentative agenda, a copy of which was timely served on each member of the Board and posted on a bulletin board or other prominent place easily accessible to the public and clearly designated for that purpose at the principal office of the Board (a copy of the face sheet of said agenda being attached hereto) pursuant to the rules of the Board and the provisions of Chapter 21, Code of Iowa, as amended, upon reasonable advance notice to the public and media at least twenty-four (24) hours prior to the commencement of the meeting as required by said law and with members of the public in attendance. I further certify that the individuals named in the attached proceedings were on the date thereof duly and lawfully possessed of their respective county offices as indicated therein, that no Board vacancies existed except as may be stated in said proceedings, and that no controversy or litigation is pending, prayed or threatened involving the incorporation, organization, existence or boundaries of the County or the right of the individuals named therein as officers to their respective positions.

WITNESS my hand and the seal of said County hereto affixed this 9th day of December, 1997.

Sandra Heckstein
County Auditor of
Mitchell County, Iowa

(SEAL)

For Your Records

December 9, 1997

The Board of Supervisors of Mitchell County, Iowa met in regular session on the 9th day of December, 1997, at the Mitchell County Courthouse in the Supervisors Meeting Room at 10:00 a.m. The meeting was called to order and there were present McCarthy, in the chair, and the following named members of the Board of Supervisors:

Squier

Pennington

Absent: __________

The Chair stated that all proceedings required to be completed prior to the County entering into a loan agreement (the "Loan Agreement") and issuing its Hospital Revenue Bonds (Mitchell County Memorial Hospital Project) Series 1997 (the "Bonds") in the principal amount of $4,000,000, for the purpose of financing the costs of the proposed construction, remodeling, expanding, and equipping of the Mitchell County Memorial Hospital, have been done and performed in due time and manner in accordance with the laws of the State of Iowa, and it is now time for the County to authorize the entering into of the Loan Agreement and the issuance of the Bonds.

Whereupon, Board Member Pennington introduced and caused to be read a resolution entitled "A Resolution Approving and Authorizing a Loan Agreement and Providing for the Issuance of $4,000,000 Aggregate Principal Amount of Hospital Revenue Bonds (Mitchell County Memorial Hospital Project) Series 1997," and moved its adoption. The motion was seconded by Board Member Squiers. After due consideration of said resolution by the Board, the Chair put the question on the motion and, the roll being called, the following named Board Members voted:

Ayes: Squiers, Pennington, McCarthy

Nays: ____________________

Whereupon, the Chair declared said resolution, a copy of which is attached hereto, duly adopted and signed his approval thereto.

* * * * *

Upon motion and vote, the meeting was adjourned.

Betty McCarthy
Chair, Board of Supervisors

Attest:

Sandra Heckstein
County Auditor