

**RESOLUTION NO. 2010-1**

**A RESOLUTION AUTHORIZING AND DIRECTING THE ISSUANCE, SALE AND DELIVERY OF HOSPITAL REVENUE BONDS, SERIES 2010-A, OF KIOWA COUNTY, KANSAS; MAKING CERTAIN COVENANTS AND AGREEMENTS TO PROVIDE FOR THE PAYMENT AND SECURITY THEREOF; AND AUTHORIZING CERTAIN OTHER DOCUMENTS AND ACTIONS CONNECTED THEREWITH.**

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**WHEREAS**, Kiowa County, Kansas (the "Issuer") is a political subdivision, duly created, organized and existing under the laws of the State of Kansas; and

**WHEREAS**, the Issuer has established the Kiowa County Memorial Hospital (the "Hospital"), which is located in the City of Greensburg, Kiowa County, Kansas, pursuant to K.S.A. 19-4601 *et seq.*, as amended (the "Act") for the benefit of the inhabitants of the Issuer and its environs; and

**WHEREAS**, pursuant to the Act, the Issuer owns the Hospital and the Board of Trustees of the Hospital (the "Hospital Board") is vested with the management and control thereof, including the responsibility for collection and application of the revenues generated from operation of the Hospital; and

**WHEREAS**, the Issuer is authorized under the provisions of the Act, to issue and sell revenue bonds for the purpose of paying all or part of the cost of the acquisition, construction, reconstruction, alteration, repair, improvement, extension or enlargement of the Hospital, provided that the principal of and interest on such revenue bonds shall be payable solely from the Net Revenues derived by the Issuer from the operation of the Hospital; and

**WHEREAS**, the governing body of the Issuer has, pursuant to Resolution No. 2009-23, declared its intention under the Act to acquire a site and construct, equip and furnish a new hospital facility (the "Project") to replace the former structure destroyed by a natural disaster, at an estimated cost of \$24,741,332 and to issue Hospital Revenue Bonds in an amount of not to exceed \$2,130,200, plus related bond reserves and costs of issuance, to pay a portion of such costs, notice of such intention having been published three consecutive weeks in the official newspaper of the Issuer as set forth in the Act; and

**WHEREAS**, none of such revenue bonds so authorized have heretofore been issued and the Issuer proposes to issue \$2,130,200 of the revenue bonds so authorized to pay a portion of the costs of the Project, with the remainder of such costs to be paid with funds made available by the State of Kansas, FEMA, USDA and insurance proceeds; and

**WHEREAS**, the Hospital has caused plans and specifications for the Project and an estimate of the cost thereof to be made by the Consulting Engineer which have previously been accepted and approved by the governing body of the Issuer and shall be placed on file in the office of the Clerk; and

**WHEREAS**, the Issuer has received a commitment from the United States of America, acting through the Department of Agriculture – Rural Development ("RD/USDA") to purchase the Issuer's Hospital Revenue Bonds in an amount of not to exceed \$2,130,200, the proceeds of which, together with the above-described funds, will be used to fund the Project, all pursuant a letter of conditions dated October 20, 2009, and an approval letter dated December 23, 2009.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF KIOWA COUNTY, KANSAS, AS FOLLOWS:**



## ARTICLE I

### DEFINITIONS

**Section 101. Definitions of Words and Terms.** In addition to words and terms defined elsewhere herein, the following words and terms as used in this Bond Resolution shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

**“Act”** means the Constitution and statutes of the State including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 19-4601 *et seq.*, all as amended and supplemented from time to time.

**“Additional Bonds”** means any bonds secured by the Revenues hereafter issued pursuant to *Article IX* hereof.

**“Additional Obligations”** means any leases or other obligations of the Issuer or the Hospital Board payable from the Revenues, other than the Bonds.

**“Amortization Schedule”** means the schedule that sets forth the principal and interest payments on the Series 2010-A Bonds, and which is attached hereto as *Schedule 1* which shall also be printed on each Series 2010-A Bond.

**“Authorized Denomination”** means \$5,000 or any integral multiples thereof, or any amount of principal stated to be paid pursuant to the Amortization Schedule.

**“Balloon Indebtedness”** means Long-Term Indebtedness, 25% or more of the original principal amount of which becomes due (either by maturity or mandatory redemption) during any consecutive twelve-month period, if such principal amount becoming due is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve-month period.

**“Beneficial Owner”** of Bonds includes any Owner of Bonds and any other Person who, directly or indirectly has the investment power with respect to any such Bonds.

**“Bond Counsel”** means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

**“Bond Payment Date”** means: (a) with respect to the Series 2010-A Bonds, each anniversary of the Dated Date of the Series 2010-A Bond, commencing on the anniversary of the Dated Date in 2011; and (b) with respect to Additional Bonds, the Stated Maturity of an installment of principal of or interest on such Additional Bonds, as set forth in the supplemental resolution authorizing such Additional Bonds.

**“Bond Register”** means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

**“Bond Registrar”** means: (a) with respect to the Series 2010-A Bonds, the State Treasurer, and its successors and assigns; and (b) with respect to Additional Bonds, the entity designated as Bond Registrar in the supplemental resolution authorizing such Additional Bonds.

**“Bond Resolution”** means this resolution relating to the Series 2010-A Bonds and any supplemental resolution authorizing any Additional Bonds.

**“Bonds”** means the Series 2010-A Bonds and any Additional Bonds.

**“Business Day”** means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

**“Chairman”** means the duly elected and acting Chairman, or in the Chairman's absence, the duly appointed and/or elected Vice Chairman or Acting Chairman of the Issuer.

**“Clerk”** means the duly appointed and/or elected Clerk or, in the Clerk's absence, the duly appointed Deputy Clerk or Acting Clerk of the Issuer.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder by the United States Department of the Treasury.

**“Consultant”** means, collectively, the Consulting Engineer, the Financial Consultant, the Health Care Consultant or the Independent Accountant.

**“Consulting Engineer”** means an independent engineer or engineering firm or architect or architectural firm, having a favorable reputation for skill and experience in the construction, financing and operation of public utilities, at the time employed by the Hospital Board for the purpose of carrying out the duties imposed on the Consulting Engineer by the Bond Resolution.

**“Costs of Issuance”** means all costs of issuing any series of Bonds, including all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving financial ratings on any series of Bonds, and any premiums or expenses incurred in obtaining any credit enhancement.

**“Costs of Issuance Account”** means the Costs of Issuance Account for Hospital Revenue Bonds, Series 2010-A created pursuant to *Section 501* hereof.

**“County”** means Kiowa County, Kansas.

**“Dated Date”** means: (a) with respect to the Series 2010-A Bonds, January 15, 2010; and (b) with respect to Additional Bonds, the dated date set forth in the Supplemental Resolution authorizing such Additional Bonds.

**“Debt Service Account”** means the Debt Service Account for Hospital Revenue Bonds, Series 2010-A created by *Section 501* hereof.

**“Debt Service Payment Account”** means that account by that name established with the Hospital by the Pledge Agreement and referred to in *Section 501* hereof.

**“Debt Service Coverage Ratio”** means, for any Fiscal Year, the ratio determined by dividing (a) a numerator equal to the Net Revenues for such Fiscal Year by (b) a denominator equal to the average Debt Service Requirements on all Parity Bonds; provided that with respect to Additional Bonds that are proposed



to be Parity Bonds, Debt Service Requirements on Junior Lien Obligations and Subordinate Lien Bonds shall be disregarded; further provided that with respect to Additional Bonds that are proposed to be Junior Lien Obligations, Debt Service Requirements on Subordinate Lien Bonds shall be disregarded.

**“Debt Service Requirements”** means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

**“Debt Service Reserve Account”** means the Debt Service Reserve Account for Hospital Parity Bonds created by *Section 501* hereof.

**“Debt Service Reserve Requirement”** means the amount on the date of original issuance and delivery of any Series of Bonds equal to the least of (a) 10% of the stated principal amount of all Parity Bonds, (b) the Maximum Annual Debt Service for all Parity Bonds during any Fiscal Year, or (c) 125% of the average annual Debt Service Requirements for all Parity Bonds over the term of all Parity Bonds. When calculating the Debt Service Reserve Requirement in conjunction with the issuance of the Bonds described in *Section 905* hereof, the principal amount of the refunded bonds shall be deducted from said calculations.

**“Defaulted Interest”** means interest on any Bond which is payable but not paid on any Bond Payment Date.

**“Defeasance Obligations”** means any of the following obligations:

- (a) Cash;
- (b) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or
- (c) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
  - (1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
  - (2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;
  - (3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;
  - (4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;



(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by any Rating Agency.

**“Derivative”** means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

**“Discount Indebtedness”** means Long-Term Indebtedness that is originally sold at a price (excluding accrued interest, but without deduction of any underwriters' discount) of less than 75% of the maturity amount including the amount of principal and interest to accrete at maturity of such Long-Term Indebtedness.

**“Event of Default”** means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due;

(c) The Issuer shall for any reason be rendered incapable of fulfilling its obligations hereunder;

(d) Any substantial part of the Hospital is destroyed, damaged or condemned to the extent of impairing the Hospital Board's ability to efficiently generate Revenues, and except as otherwise provided herein or in the Pledge Agreement, is not promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same be due to the impracticability of such repair, replacement or reconstruction or to any lack of funds therefor for any other reason);;

(e) Final judgment for the payment of money shall be rendered against the Issuer as a result of the ownership, control or operation of the Hospital and any such judgment shall not be discharged within one hundred twenty (120) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof;

(f) An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Hospital or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Issuer, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof;

(g) Any proceeding shall be instituted, with the consent or acquiescence of the Issuer, for the purpose of effecting a composition between the Issuer and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Net Revenues of the Hospital;

(h) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Bond Resolution on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying



such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding; or

- (i) A monetary default shall have occurred on any Hospital Indebtedness.

**“Expenses”** means all reasonable and necessary expenses of operation, maintenance and repair of the Hospital and keeping the Hospital in good repair and working order (other than interest paid on Hospital Indebtedness and depreciation and amortization charges during the period of determination), determined in accordance with generally accepted accounting principles, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, paying agent fees and expenses, annual audits, periodic Consultant's reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, for Hospital operation, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular Fiscal Year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the Hospital, but shall exclude all general administrative expenses of the Issuer not related to the operation of the Hospital, and all transfers into the Debt Service Reserve Account provided for in this Bond Resolution.

**“Federal Grant”** means funds received from the United States of America, acting through RD/USDA pursuant to a letter of conditions dated October 20, 2009, and an approval letter dated December 23, 2009.

**“Financial Consultant”** means an independent consultant qualified and having a favorable reputation for skill and experience in financial affairs selected by the Issuer or the Hospital Board for the purpose of carrying out the duties imposed on the Financial Consultant by the Bond Resolution or the Pledge Agreement, which may an Independent Accountant or a Health Care Consultant.

**“Fiscal Year”** means the twelve-month period ending on December 31.

**“Funds and Accounts”** means funds and accounts created pursuant to or referred to in *Section 501* hereof.

**“General Operating Fund”** means the General Operating Fund established with the Hospital pursuant to the Pledge Agreement and referred to in *Section 501* hereof.

**“Health Care Consultant”** means an independent health care consultant or firm of health care consultants having a favorable reputation for skill and experience in the construction, financing and operation of health care facilities, and the preparation of management studies and financial feasibility studies in connection therewith, at the time employed by the Hospital Board for the purpose of carrying out the duties imposed on the Health Care Consultant by the Bond Resolution or the Pledge Agreement.

**“Hospital”** means the 15-bed critical access hospital and related facilities, located in the City of Greensburg, Kansas, and known as the Kiowa County Memorial Hospital, and all additions, extensions and improvements thereto hereafter made or acquired. At the discretion of the Hospital Board, there may be excluded from the “Hospital” as herein defined facilities hereafter constructed or acquired, connected or separate from the Hospital, not financed with the proceeds of the Bonds payable from Revenues, and for which the Hospital Board maintains separate and distinct operations, facilities and records, and which are



billed for Hospital services as a customer of the Hospital in accordance with the rules and regulations of the Hospital Board.

**“Hospital Board”** means the duly appointed Board of Trustees of the Hospital vested with legal authority to manage and operate the Hospital.

**“Hospital Indebtedness”** means collectively the Bonds, the Existing Hospital Indebtedness and any Additional Obligations which are payable out of, or secured by an interest in, the Revenues.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by this Bond Resolution.

**“Index Rate”** means the rate of interest set forth in *The Bond Buyer* Revenue Bond Index (or, in the event that *The Bond Buyer* does not compile such index or ceases publication, another comparable publication recognized in the municipal bond market) published for the week immediately preceding the date of determination.

**“Interim Indebtedness”** means Hospital Indebtedness having a term not less than one year, and not in excess of five years, incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

**“Issue Date”** means the date when the Issuer delivers any series of Bonds to the Purchaser in exchange for the Purchase Price.

**“Issuer”** means the County and any successors or assigns.

**“Junior Lien Obligations”** means any Additional Bonds or Additional Obligations payable from, and secured by a lien on the Revenues, which lien is junior to that of any Parity Obligations, but senior to that of the Subordinate Lien Bonds.

**“Loan Resolution”** means the Loan Resolution (Form RD 1942-47), between the Issuer, the Hospital Board and RD/USDA, dated as of January 4, 2010.

**“Long-Term Indebtedness”** means Hospital Indebtedness having an original stated maturity or term greater than five years, or renewable or extendible at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof.

**“Maturity”** when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and herein provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

**“Maximum Annual Debt Service”** means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year; provided that the Debt Service Requirements in the final Stated Maturity of any series of Hospital Indebtedness shall be reduced by the value of cash and Permitted Investments on deposit in the Debt Service Reserve Account, so long as the Debt Service Reserve Account is maintained at the Debt Service Reserve Requirement or in any similar reserve account for Additional Obligations if maintained at its required amount.

**“Moody's”** means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or



liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**"Net Revenues"** means, for the period of determination, all Revenues less all Expenses.

**"Notice Address"** means with respect to the following entities:

- (a) To the Issuer at:

County Courthouse  
211 E. Florida  
Greensburg, Kansas 67054

- (b) To the Paying Agent at:

**Series 2010-A Bonds:**

Treasurer of the State of Kansas  
Landon Office Building  
900 Southwest Jackson, Suite 201  
Topeka, Kansas 66612-1235

**Additional Bonds:**

The address set forth in the supplemental resolution authorizing such Additional Bonds.

- (c) To the Purchaser:

**Series 2010-A Bonds:**

United States of America  
Department of Agriculture  
1520 Market Street  
St. Louis, Missouri 63103

**Additional Bonds:**

The address set forth in the supplemental resolution authorizing such Additional Bonds.

- (d) To the Rating Agency(ies):

Moody's Municipal Rating Desk  
7 World Trade Center  
250 Greenwich Street, 23rd Floor  
New York, New York 10007

Standard & Poor's, a division of  
The McGraw-Hill Companies  
55 Water Street, 38th Floor  
New York, New York 10004



- (e) To the Hospital Board at:

Kiowa County Memorial Hospital  
721 W. Kansas  
Greensburg, Kansas 67054

or such other address as is furnished in writing to the other parties referenced herein.

**“Notice Representative”** means:

- (a) With respect to the Issuer, the Clerk.
- (b) With respect to the Bond Registrar and Paying Agent, the Director of Bond Services.
- (c) With respect to USDA, any director or manager of the Finance Office, and with respect to any other Purchaser, any director or manager of the Finance Office.
- (d) With respect to any Rating Agency, any Vice President thereof.
- (e) With respect to the Hospital Board, the Hospital Administrator.

**“Operation and Maintenance Account”** means the Hospital Operation and Maintenance Account established with the Hospital pursuant to the Pledge Agreement and referred to in **Section 501** hereof.

**“Outstanding”** means, when used with reference to Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Bond Resolution;
- (b) Bonds deemed to be paid in accordance with the provisions of **Section 1101** of the Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Bond Resolution.

**“Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

**“Parity Bonds”** means the Outstanding Series 2010-A Bonds, and any Additional Bonds hereafter issued pursuant to **Section 902** or **Section 905** of the Bond Resolution and standing on a parity and equality with the Series 2010-A Bonds with respect to the lien on the Net Revenues.

**“Parity Obligations”** means any Additional Obligations hereafter issued or incurred by the pursuant to **Section 902** or **Section 905** of this Bond Resolution or Hospital Indebtedness issued or incurred by the Hospital pursuant to the Pledge Agreement and standing on a parity and equality with the Parity Bonds with respect to the lien on the Net Revenues.

**“Parity Resolution”** means this Bond Resolution and the resolutions under which any Additional Bonds which constitute Parity Bonds are hereafter issued.



**"Paying Agent"** means the State Treasurer, and any successors and assigns appointed in accordance with *Section 203* hereof.

**"Permitted Investments"** shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the Issuer which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks or the federal home loan mortgage corporation; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

**"Person"** means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

**"Pledge Agreement"** means the Pledge of Revenues and Operation Agreement, dated as of January 15, 2010, between the Hospital and the Issuer, and any agreement or agreements amending or supplementing the Pledge Agreement pursuant to the terms thereof.

**"Project"** shall mean the repairs, alterations, extensions, construction, reconstruction, enlargements, furnishings, equipment, or improvements to the Hospital referred to in the preamble to this Bond Resolution.

**"Project Fund"** means the Project Fund for Hospital Revenue Bonds, Series 2010-A created by *Section 501* hereof.

**"Purchase Price"** means: (a) with respect to the Series 2010-A Bonds, 100% of the principal amount of the Series 2010-A Bonds; and (b) with respect to Additional Bonds, the amount set forth in the supplemental resolution authorizing such Additional Bonds.

**"Purchaser"** means: (a) with respect to the Series 2010-A Bonds, USDA, or if and to the extent any rights, privileges or duties of USDA hereunder are assigned by USDA pursuant to an assignment of the Loan Resolution, the assignee of USDA.; and (b) with respect to Additional Bonds, the original purchaser of such Additional Bonds, as set forth in the supplemental resolution authorizing such Additional Bonds.

**"Put Indebtedness"** means Long-Term Indebtedness which is (a) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, at the option of the holder thereof, prior to its stated maturity date, or (b) payable or required to be purchased or redeemed from the



holder by or on behalf of the underlying obligor, other than at the option of the holder, prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, or other than by reason of acceleration upon the occurrence of an Event of Default under this Bond Resolution.

**“Rating Agency”** means any company, agency or entity that provides financial ratings for the Bonds.

**“RD/USDA”** means Rural Development, United States Department of Agriculture.

**“Rebate Fund”** means the Rebate Fund for Hospital Revenue Bonds, Series 2010-A created pursuant to *Section 501* hereof.

**“Record Dates”** means the fifteenth day (whether or not a Business Day) next preceding such Bond Payment Date.

**“Redemption Date”** when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of this Bond Resolution.

**“Redemption Price”** when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

**“Revenue Fund”** means the General Operating Fund of the Hospital referred to in *Section 501* hereof.

**“Revenues”** means all income and revenues derived and collected by the Hospital Board from the operation and ownership of the Hospital, including from fees and charges for use of and services provided at the Hospital, investment and rental income, net proceeds from business interruption insurance, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on Hospital Indebtedness, but excluding any profits or losses on the early extinguishment of debt, on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, funds derived from any grants, donations, gifts, bequests or similar methods that are restricted as to usage by the provider thereof, or through the levy of any taxes.

**“Series 2010-A Bonds”** means the Issuer's Hospital Revenue Bonds, Series 2010-A, in the aggregate principal amount of \$2,130,200, authorized and issued by the Issuer pursuant to this Bond Resolution.

**“Short-Term Indebtedness”** means Hospital Indebtedness having an original maturity less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.

**“Special Record Date”** means the date fixed by the Paying Agent pursuant to *Section 204* hereof for the payment of Defaulted Interest.

**“Standard & Poor’s”** means Standard & Poor’s Ratings Services, a Division of the McGraw-Hill Companies, Inc., New York, New York, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall



no longer perform the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**"State"** means the state of Kansas.

**"State Treasurer"** means the duly elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

**"Stated Maturity"** when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and this Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable as set forth in the Amortization Schedule.

**"Subordinate Lien Bonds"** means any Additional Bonds or Additional Obligations payable from the Revenues on a subordinate lien basis to any Parity Bonds and Junior Lien Obligations, and which constitute general obligations of the Issuer.

**"Tax Compliance Agreement"** means the Tax Compliance Agreement between the Issuer and the Hospital Board dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

**"Term Bonds"** means any Bonds designated as Term Bonds in this Bond Resolution or in any supplemental resolution authorizing the issuance of Additional Bonds.

**"Treasurer"** means the duly appointed and/or elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

**"United States Government Obligations"** means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

**"USDA"** means the United States of America, acting through the United States Department of Agriculture.

**"Variable Rate Indebtedness"** means any Hospital Indebtedness which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Hospital Indebtedness.

## ARTICLE II

### AUTHORIZATION AND DETAILS OF THE BONDS

**Section 201. Authorization for the Series 2010-A Bonds.** There shall be issued and are hereby authorized and directed to be issued the Hospital Revenue Bonds, Series 2010-A, of the Issuer in the aggregate principal amount of \$2,130,200, for the purpose of providing funds to: (a) pay a portion of the costs of the Project; and (b) pay costs of issuance of the Series 2010-A Bonds.



**Section 202. Description of the Series 2010-A Bonds.** The Series 2010-A Bonds shall consist of fully registered bonds in an Authorized Denomination, and shall be numbered in such manner as the Bond Registrar shall determine. All of the Series 2010-A Bonds shall be dated as of the Dated Date, shall become due in the amounts, on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities as provided in *Article III* hereof. The Series 2010-A Bonds shall bear interest at the rate of 4.00% per annum (computed on the basis of a 365-day year) from the later of the Dated Date or the most recent Bond Payment Date to which interest has been paid in the manner set forth in *Section 204* hereof.

At the option of the Purchaser, the Series 2010-A Bonds may be issued as a single certificate in the denomination of \$2,130,200, or the Outstanding declining principal balance thereof. The principal on such Series 2010-A Bond shall be payable on the dates and in the amounts set forth on the Amortization Schedule, provided that the entire remaining principal payments shall become due and payable on January 15, 2049. Interest on such Series 2010-A Bonds shall be payable on the Bond Payment Date. If issued as other than as a single certificate with an Amortization Schedule, the Stated Maturities and principal amounts of the Series 2010-A Bonds shall be on the dates and in the amounts as set forth in the Amortization Schedule.

Each of the Series 2010-A Bonds, as originally issued or issued upon transfer, exchange or substitution, shall be printed in accordance with the format required by the Attorney General of the State and shall be substantially in the form attached hereto as *EXHIBIT A* or as may be required by the Attorney General pursuant to the Notice of Systems of Registration for Kansas Municipal Bonds, 2 Kan. Reg. 921 (1983), in accordance with the Kansas Bond Registration Law, K.S.A. 10-620 *et seq.*

**Section 203. Designation of Paying Agent and Bond Registrar.** The State Treasurer is hereby designated as the Paying Agent for the payment of principal of and interest on the Bonds and Bond Registrar with respect to the registration, transfer and exchange of Bonds. The Chairman of the Issuer is hereby authorized and empowered to execute on behalf of the Issuer and agreement with the Bond Registrar and Paying Agent for the Bonds.

The Issuer will at all times maintain a Paying Agent and Bond Registrar meeting the qualifications herein described for the performance of the duties hereunder. The Issuer reserves the right to appoint a successor Paying Agent or Bond Registrar, and shall appoint a successor Paying Agent at the request of USDA, by (a) filing with the Paying Agent or Bond Registrar then performing such function a certified copy of the proceedings giving notice of the termination of such Paying Agent or Bond Registrar and appointing a successor, and (b) causing notice of appointment of the successor Paying Agent and Bond Registrar to be given by first class mail to each Owner. No resignation or removal of the Paying Agent or Bond Registrar shall become effective until a successor acceptable to USDA has been appointed and has accepted the duties of Paying Agent or Bond Registrar. Each successor Paying Agent shall be approved in writing by USDA before the appointment of such successor Paying Agent shall become effective.

Every Paying Agent or Bond Registrar appointed hereunder shall at all times meet the requirements of K.S.A. 10-501 *et seq.* and K.S.A. 10-620 *et seq.*, respectively.

**Section 204. Method and Place of Payment of the Bonds.** The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts.



The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent. Notwithstanding the foregoing, if a single certificate with an Amortization Schedule is issued, principal will be paid in the same manner as interest is paid and presentation and surrender of the Bond to the Paying Agent shall not be necessary until the final payment of the entire obligation evidenced by such Bond.

The interest payable on each Bond on any Bond Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner or (b) in the case of an interest payment to USDA or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing provisions of this Section, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified in this paragraph. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice at the address of such Owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

The Paying Agent shall keep a record of payment of principal and Redemption Price of and interest on all Bonds and at least annually shall forward a copy or summary of such records to the Issuer.

**Section 205. Registration, Transfer and Exchange of Bonds.** The Issuer covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the office of the Bond Registrar as herein provided. Each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register.

Bonds may be transferred and exchanged only on the Bond Register as provided in this Section. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange.



Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Bond Resolution. The Issuer shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds provided for by this Bond Resolution and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Code § 3406, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Owner hereunder or under the Bonds.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent pursuant to **Section 304** hereof and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to **Section 205** hereof.

The Issuer and the Paying Agent may deem and treat the Person in whose name any Bond is registered on the Bond Register as the absolute Owner of such Bond, whether such Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on said Bond and for all other purposes. All payments so made to any such Owner or upon the Owner's order shall be valid and effective to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer nor the Paying Agent shall be affected by any notice to the contrary.

At reasonable times and under reasonable regulations established by the Bond Registrar, the Bond Register may be inspected and copied by the Owners (or a designated representative thereof) of 10% or more in principal amount of the Bonds then Outstanding or any designated representative of such Owners whose authority is evidenced to the satisfaction of the Bond Registrar.

**Section 206. Execution, Registration, Authentication and Delivery of Bonds.** Each of the Bonds, including any Bonds issued in exchange or as substitutions for the Bonds initially delivered, shall be executed for and on behalf of the Issuer by the manual or facsimile signature of the Chairman, attested by the manual or facsimile signature of the Clerk and the seal of the Issuer shall be affixed thereto or imprinted thereon. The Chairman and Clerk are hereby authorized and directed to prepare and execute the Bonds in the manner herein specified, and to cause the Bonds to be registered in the office of the Clerk, which registration shall be evidenced by the manual or facsimile signature of the Clerk with the seal of the Issuer affixed thereto or imprinted thereon. The Bonds shall also be registered in the office of the State Treasurer, which registration shall be evidenced by the manual or facsimile signature of the State Treasurer with the seal of the State Treasurer affixed thereto or imprinted thereon. In case any officer whose signature appears on any Bonds ceases to be such officer before the delivery of such Bonds, such signature shall nevertheless be valid and sufficient for all purposes, as if such person had remained in office until delivery. Any Bond may be signed by such persons who at the actual time of the execution of such Bond are the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.



The Chairman and Clerk are hereby authorized and directed to prepare and execute the Bonds as herein specified, and when duly executed, to deliver the Bonds to the Paying Agent for authentication.

The Series 2010-A Bonds shall have endorsed thereon a certificate of authentication substantially in the form attached hereto as **EXHIBIT A** hereof, which shall be manually executed by an authorized officer or employee of the Bond Registrar, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time. No Series 2010-A Bond shall be entitled to any security or benefit under this Bond Resolution or be valid or obligatory for any purpose unless and until such certificate of authentication has been duly executed by the Bond Registrar. Such executed certificate of authentication upon any Series 2010-A Bond shall be conclusive evidence that such Series 2010-A Bond has been duly authenticated and delivered under this Bond Resolution. Upon authentication, the Bond Registrar shall deliver the Series 2010-A Bond to the Purchaser upon instructions of the Issuer or its representative.

**Section 207. Mutilated, Lost, Stolen or Destroyed Bonds.** If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount.

If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under this Section, the Issuer and the Paying Agent may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Every new Bond issued pursuant to this Section shall constitute a replacement of the prior obligation of the Issuer, and shall be entitled to all the benefits of this Bond Resolution equally and ratably with all other Outstanding Bonds.

**Section 208. Cancellation and Destruction of Bonds Upon Payment.** All Bonds that have been paid or redeemed or that otherwise have been surrendered to the Paying Agent, either at or before Maturity, shall be cancelled by the Paying Agent immediately upon the payment, redemption and surrender thereof to the Paying Agent and subsequently destroyed in accordance with the customary practices of the Paying Agent. The Paying Agent shall execute a certificate in duplicate describing the Bonds so cancelled and destroyed and shall file an executed counterpart of such certificate with the Issuer.

**Section 209. Calculation of Debt Service Requirements.**

**(a) Debt Service Requirements on Balloon, Put, Short-Term and Interim Indebtedness.**

(1) The principal of Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness under **Section 902** hereof, or Interim Indebtedness shall be deemed due and payable at its Stated Maturity; provided, however, that at the election of the Issuer for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal deemed payable on Balloon Indebtedness, Put Indebtedness or



Short-Term Indebtedness being treated as Long-Term Indebtedness under *Section 902* hereof, or Interim Indebtedness, shall be deemed to be payable as set forth below:

(A) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(B) If the Issuer has entered into a binding agreement providing for the deposit by the Issuer with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, when due from the sums so deposited and investment earnings realized thereon, then the principal amount of the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(C) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, other than those referred to in subsections (A) and (B) above, which a Financial Consultant in a certificate filed with the Issuer determines, taking into account the interests of the Owners of Hospital Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(D) Such Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness may be deemed to be Hospital Indebtedness which, at the date of its original incurrence, was payable over a term not to exceed twenty (20) years in equal annual installments of principal and interest at the Index Rate.

A Financial Consultant shall deliver to the Issuer a certificate stating that it is reasonable to assume that installment obligations of such term of the Issuer can be incurred and stating the interest rate then applicable to installment obligations of such term of comparable quality. Interim Indebtedness may be deemed to be Indebtedness which, at the date of its original incurrence, would meet the conditions specified in the statement of the Financial Consultant as required in *Section 902*; provided that the Financial Consultant shall for each annual period that the Debt Service Requirement is computed, provide a supplemental statement that at such period, the certifications contained in the statement are reasonable.

(2) Interest that is payable prior to the Stated Maturity of any Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness shall be taken into account for



such appropriate period in computation of Debt Service Requirements. Interest payable at maturity or early redemption on Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may either be amortized over the anticipated maturity or such longer period as is permitted under *Section 902* or *Section 209(a)(1)(D)* or may be treated as principal payable on the principal maturity date of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness.

(3) In measuring compliance with the applicable tests hereunder in connection with incurring Put Indebtedness and generally for purposes of determining the Debt Service Requirements relating thereto, Put Indebtedness shall be deemed to mature based upon the actual amortization requirements for the Put Indebtedness, only to the extent that the Issuer has a commitment to refinance such Put Indebtedness.

(b) ***Debt Service Requirements on Discount Indebtedness.*** At the election of the Issuer for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal and interest deemed payable on Discount Indebtedness shall be deemed to be payable as set forth below:

(1) If the Issuer has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Discount Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Discount Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(2) If the Issuer has entered into a binding agreement providing for the deposit with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Discount Indebtedness, or a portion thereof, and providing for the payment of such principal amount when due from the sums so deposited, and investment earnings realized thereon, then the Discount Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(3) If the Issuer has entered into arrangements or agreements with respect to the principal amount of such Discount Indebtedness, other than those referred to in subsections (1) and (2) above, which a Financial Consultant in a certificate filed with the Issuer determines, taking into account the interests of the holders of Hospital Indebtedness, provides adequate assurances that the Issuer will be able to meet the Debt Service Requirements due on such Indebtedness, the Discount Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(4) As of any time the maturity amount represented by Discount Indebtedness shall be deemed to be the accreted value of such Indebtedness computed on the basis of a constant yield to maturity.

(c) ***Debt Service Requirements on Variable Rate Indebtedness.*** When calculating interest requirements on Variable Rate Indebtedness which bears a variable rate of interest for periods as to which the rate of interest has not been determined, the rate of interest on Outstanding Variable Rate Indebtedness



shall be the average annual rate of interest which was payable on such Variable Rate Indebtedness during the twelve (12) months immediately preceding the date as of which the calculation is made; and the rate of interest on Variable Rate Indebtedness to be incurred (or incurred less than twelve (12) months preceding such date) shall be the average annual rate of interest which would have been payable on such Variable Rate Indebtedness had it been outstanding for a period of twelve (12) months immediately preceding the date as of which the calculation is made, all as set forth in a certificate of a Financial Consultant, delivered to the Issuer.

**Section 210. Sale of the Series 2010-A Bonds.** The sale of the Series 2010-A Bonds to the Purchaser is hereby ratified and confirmed. Delivery of the Series 2010-A Bonds shall be made to the Purchaser on the Issue Date upon payment of the Purchase Price.

**Section 211. Loan Resolution.** So long as USDA is the Owner of any of any Bonds, the Issuer shall be subject to the separate Loan Resolution executed and entered into by it at closing of the issuance of any Bonds in accordance with the Loan Resolution. The provisions of the Loan Resolution and the provisions of this Bond Resolution and the Pledge Agreement are to be construed wherever possible so that they will not be in conflict. In the event such a construction is not possible, the provisions of the Loan Resolution shall prevail.

**Section 212. Pledge Agreement.** In order to provide for security for the Bonds, the Chairman and Clerk are authorized to and shall execute the Pledge Agreement for and on behalf of the Issuer.

### ARTICLE III

#### REDEMPTION OF BONDS

**Section 301. Redemption by Issuer.** The Bonds shall be subject to redemption and payment prior to their Stated Maturity, as follows:

(a) ***Optional Redemption.***

(1) *Series 2010-A Bonds.* At the option of the Issuer, Series 2010-A Bonds (including installments of principal set forth on the Amortization Schedule) may be called for redemption and payment prior to their Stated Maturity in whole or in part (selection of principal installments and amounts to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the Redemption Date.

(2) *Additional Bonds.* Additional Bonds are subject to redemption and payment prior to Stated Maturity in accordance with the provisions of the supplemental resolution authorizing the issuance of such Additional Bonds.

(b) ***Mandatory Redemption.***

(1) *General.* The Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. At its option, to be exercised on or before the 45th day next preceding any mandatory Redemption Date, the Issuer may: (1) deliver to the Paying Agent for cancellation Term Bonds subject to mandatory redemption on said mandatory Redemption Date, in any aggregate principal amount desired; or (2)



furnish the Paying Agent funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds subject to mandatory redemption on said mandatory Redemption Date from any Owner thereof whereupon the Paying Agent shall expend such funds for such purpose to such extent as may be practical; or (3) receive a credit with respect to the mandatory redemption obligation of the Issuer under this Section for any Term Bonds subject to mandatory redemption on said mandatory Redemption Date which, prior to such date, have been redeemed (other than through the operation of the mandatory redemption requirements of this subsection) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this subsection. Each Term Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Issuer to redeem Term Bonds of the same Stated Maturity on such mandatory Redemption Date, and any excess of such amount shall be credited on future mandatory redemption obligations for Term Bonds of the same Stated Maturity as designated by the Issuer, and the principal amount of Term Bonds to be redeemed by operation of the requirements of this Section shall be accordingly reduced. If the Issuer intends to exercise any option granted by the provisions of clauses (1), (2) or (3) above, the Issuer will, on or before the 45th day next preceding each mandatory Redemption Date, furnish the Paying Agent a written certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, with respect to such mandatory redemption payment.

(2) *Series 2010-A Bonds.* There are **no** Series 2010-A Term Bonds.

(3) *Additional Bonds.* Additional Bonds designated as Term Bonds shall be subject to mandatory redemption in accordance with the provisions of the supplemental resolution authorizing such Additional Bonds.

(4) *RD/USDA Provisions.* The Issuer acknowledges the provisions of 7 U.S.C. 1983(3) and right of USDA to require the redemption of the entire unpaid principal amount of the Series 2010-A Bonds in accordance therewith.

### **Section 302. Selection of Bonds to be Redeemed.**

(a) In the event the Issuer desires to call the Bonds for redemption prior to maturity, written notice of such intent shall be provided to the Bond Registrar in accordance with K.S.A. 10-129, as amended, not less than 45 days prior to the Redemption Date. The Bond Registrar shall call Bonds for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Bond Registrar at least 45 days prior to the Redemption Date of written instructions of the Issuer specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds to be called for redemption. The Paying Agent may in its discretion waive such notice period so long as the notice requirements set forth in *Section 303* are met.

(b) Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine. Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in a minimum Authorized Denomination of principal amount in such equitable manner as the Bond Registrar may determine.

(c) In the case of a partial redemption of Bonds, the Owner of a single certificate with Amortization Schedule need not submit such certificate for re-registration. In the case of a partial redemption of any other Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each a



minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of the denomination of a minimum Authorized Denomination. If it is determined that one or more, but not all, of a minimum Authorized Denomination of face value represented by any Bond is selected for redemption, then upon notice of intention to redeem such a minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such a minimum Authorized Denomination of face value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the a minimum Authorized Denomination of face value called for redemption (and to that extent only).

**Section 303. Notice and Effect of Call for Redemption.** Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the State Treasurer and the Purchaser. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed;
- (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and
- (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent.

The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with such notice, the Redemption Price of such Bonds shall be paid by the Paying Agent. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the



Owner a new Bond or Bonds of the same Stated Maturity in the amount of the unpaid principal as provided herein. All Bonds that have been surrendered for redemption shall be cancelled and destroyed by the Paying Agent as provided herein and shall not be reissued.

Further notice may be given by the Issuer or the Bond Registrar on behalf of the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if official notice thereof is given as above prescribed.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (1) the CUSIP numbers of all Bonds being redeemed; (2) the date of issue of the Bonds as originally issued; (3) the rate of interest borne by each Bond being redeemed; (4) the maturity date of each Bond being redeemed; and (5) any other descriptive information needed to identify accurately the Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least one day before the mailing of notice to Owners by first class, registered or certified mail or overnight delivery, as determined by the Bond Registrar, to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Each check or other transfer of funds issued for the payment of the Redemption Price of Bonds being redeemed shall bear or have enclosed the CUSIP number of the Bonds being redeemed with the proceeds of such check or other transfer.

The Paying Agent is also directed to comply with any mandatory standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

## ARTICLE IV

### SECURITY FOR BONDS

**Section 401. Security for the Bonds.** The Bonds shall be special obligations of the Issuer payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues, and the Issuer hereby pledges said Net Revenues to the payment of the principal of and interest on the Bonds. The Issuer's rights under the Pledge Agreement are hereby pledged to the Owners as security for the payment of the Debt Service Requirements on the Bonds. The Bonds shall not be or constitute a general obligation of the Issuer, nor shall they constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the Issuer is not pledged to the payment of the Bonds, either as to principal or interest.

The covenants and agreements of the Issuer contained herein and in the Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds herein pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in this Bond Resolution. The Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the Net Revenues and in all other respects with any Parity Bonds and Parity



Obligations. The Bonds shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Parity Bonds and Parity Obligations and the Parity Bonds and Parity Obligations shall not have any priority with respect to the payment of principal or interest from said net income and revenues or otherwise over the Bonds.

## ARTICLE V

### ESTABLISHMENT OF FUNDS AND ACCOUNTS DEPOSIT AND APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

**Section 501. Creation of Funds and Accounts.** Simultaneously with the issuance of the Series 2010-A Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Project Fund for Hospital Revenue Bonds, Series 2010-A;
- (b) Debt Service Account for Hospital Revenue Bonds, Series 2010-A;
- (c) Debt Service Reserve Account for Hospital Parity Bonds;
- (d) Rebate Fund for Hospital Revenue Bonds, Series 2010-A; and
- (e) Costs of Issuance Account for Hospital Revenue Bonds, Series 2010-A.

Simultaneously with the issuance of the Series 2010-A Bonds, there shall be created or ratified within the Treasury of the Hospital Board pursuant to the Pledge Agreement the following Funds and Accounts:

- (a) Hospital General Operating Fund, redesignated as the Revenue Fund;
- (b) Debt Service Payment Account for Hospital Revenue Bonds; and
- (c) Hospital Operation and Maintenance Account.

The Funds and Accounts established referred to herein shall be administered in accordance with the provisions of this Bond Resolution and the Pledge Agreement so long as the Bonds are Outstanding.

**Section 502. Deposit of Series 2010-A Bond Proceeds and Other Moneys.** The net proceeds received from the sale of the Series 2010-A Bonds and certain other moneys shall be deposited simultaneously with the delivery of the Series 2010-A Bonds as follows:

- (a) The sum of \$13,500 shall be deposited in the Costs of Issuance Account.
- (b) The remaining balance of the proceeds derived from the sale of the Series 2010-A Bonds shall be deposited in the Project Fund.
- (c) In addition to the proceeds of the Series 2010-A Bonds, the Hospital Board will apply available moneys representing: (i) insurance proceeds in the amount of \$5,715,339, (ii) the Federal Grant in the amount of \$2,130,200; (iii) funds from Federal Emergency Management Agency in the amount of \$11,839,890; (iv) funds from the Kansas Division of Emergency Management in the amount of



\$1,562,740; (v) contributions in the amount of \$1,132,963; and (vi) state tax credits in the amount of \$230,000 to pay a portion of the costs of the Project.

**Section 503. Application of Moneys in the Project Fund.** Moneys in the Project Fund shall be used for the sole purpose of: (a) paying the costs of the Project, in accordance with the plans and specifications prepared by the Consulting Engineer, heretofore approved by the governing body of the Issuer and the Hospital Board and on file in the office of the Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the Consulting Engineer and approved by the governing body of the Issuer and the Hospital Board; (b) paying Costs of Issuance to the extent funds in the Costs of Issuance Account are insufficient for such purpose; and (c) transferring any amounts to the Rebate Fund required by **Section 506** hereof.

Withdrawals from the Project Fund shall be made only when authorized by the governing body of the Issuer. Each authorization for costs of the Project shall be supported by a certificate executed by the Consulting Engineer and the Hospital Board that such payment is being made for a purpose within the scope of this Bond Resolution and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, and that such payment is not in excess of the reasonable value thereof. Authorizations for withdrawals for other purposes shall be supported by a certificate executed by the Issuer's Clerk (or designate) stating that such payment is being made for a purpose within the purpose of this Bond Resolution. Payment out of the Project Fund of Costs of Issuance, if necessary, shall not require a certificate from the Clerk (or designate). Upon completion of the Project, any surplus remaining in the Project Fund shall be deposited in the Debt Service Account.

**Section 504. Nonpresentment of Bonds.** If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine 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 Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay, without liability for interest thereon, to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

**Section 505. Application of Moneys in the Costs of Issuance Account.** Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Series 2010-A Bonds, shall be transferred to the Project Fund until completion of the Project and thereafter to the Debt Service Account.

**Section 506. Application of Moneys in the Rebate Fund.**

(a) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Compliance Agreement), for payment to the United States of America, and neither the Issuer nor the



Owner of any Series 2010-A Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and the Tax Compliance Agreement.

(b) The Issuer shall periodically determine the rebatable arbitrage, if any, under Code § 148(f) in accordance with the Tax Compliance Agreement, and the Issuer shall make payments to the United States of America at the times and in the amounts determined under the Tax Compliance Agreement. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Series 2010-A Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be deposited into the Revenue Fund.

(c) Notwithstanding any other provision of this Bond Resolution, including in particular *Error! Reference source not found.* hereof, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Series 2010-A Bonds.

## ARTICLE VI

### COLLECTION AND APPLICATION OF REVENUES

**Section 601. Revenue Fund.** The Issuer covenants and agrees that from and after the delivery of the Series 2010-A Bonds, and continuing as long as any of the Bonds remain Outstanding hereunder, all of the Revenues derived and collected from the operation of the Hospital shall as and when received by the Hospital Board will be paid and deposited into the Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, Funds and Accounts of the Issuer and shall not be commingled with any other moneys, revenues, Funds and Accounts of the Issuer. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in this Bond Resolution and the Pledge Agreement, except as may be modified by the provisions of the Parity Resolution.

**Section 602. Application of Moneys in Funds and Accounts.** The Issuer covenants and agrees that from and after the delivery of the Series 2010-A Bonds and continuing so long as any of the Bonds shall remain Outstanding, all of the moneys then held in the Revenue Fund will be administer and allocate as follows:

(a) **Operation and Maintenance Account.** The Hospital Board shall credit to the Operation and Maintenance Account such amounts and make application thereof as set forth in **Section 601(a)** of the Pledge Agreement.

(b) **Debt Service Account.** There shall next be paid and credited, from moneys received from the Hospital Board pursuant to **Section 601(b)** of the Pledge Agreement, to the Debt Service Account, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Series 2010-A Bonds.

The amounts required to be paid and credited to the Debt Service Account pursuant to this Section shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service accounts established for the payment of the Debt Service Requirements on Parity Bonds and Parity Obligations under the provisions of the Parity Resolution(s).



All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the Debt Service Requirements of the Series 2010-A Bonds as and when the same become due at Maturity and on each Bond Payment Date.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Account and to the debt service accounts established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service accounts in proportion to the respective principal amounts of said series of Bonds at the time Outstanding which are payable from the moneys in said debt service accounts.

(c) ***Debt Service Reserve Account.*** There shall next be paid and credited to the Debt Service Debt Service Reserve Account all moneys received from the Hospital Board pursuant to ***Section 601(c)*** of the Pledge Agreement. Moneys in the Debt Service Reserve Account shall be expended and used by the Issuer solely to prevent any default in the payment of interest on or principal of the Parity Bonds on any Maturity date or Bond Payment Date if the moneys in the respective debt service accounts are insufficient to pay the Debt Service Requirements of said Parity Bonds as they become due.

Moneys in the Debt Service Reserve Account may be used to call the Parity Bonds for redemption and payment prior to their Stated Maturity or may be used to pay and retire the Parity Bonds and interest thereon; provided that after such redemption or payment there shall remain in the Debt Service Reserve Account an amount equal to the Debt Service Reserve Requirement. Any amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred (i) during the period of construction of the Project, to the Project Fund, and (ii) after such construction period, to the Debt Service Account.

(d) ***Debt Service Accounts-Junior Lien Bonds.*** There shall next be paid and credited to the debt service account(s) for any Junior Lien Bonds all moneys received from the Hospital Board pursuant to ***Section 601(d)*** of the Pledge Agreement. The amounts required to be paid and credited to the debt service account(s) for any Junior Lien Obligations shall be made at the same time and on parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Junior Lien Bonds. All amounts paid and credited to the debt service account(s) for any Junior Lien Bonds shall be expended and used by the Issuer for the sole purpose of paying the Debt Service Requirements for any Junior Lien Bonds as and when the same become due at Maturity and on each Bond Payment Date.

(e) ***Debt Service Accounts-Subordinate Lien Bonds.*** There shall next be paid and credited to the debt service account(s) for any Subordinate Lien Bonds all moneys received from the Hospital Board pursuant to ***Section 601(e)*** of the Pledge Agreement. The amounts required to be paid and credited to the debt service account(s) for any Subordinate Lien Obligations shall be made at the same time and on parity with the amounts at the time required to be paid and credited to other debt service accounts established for the payment of the Debt Service Requirements on any Subordinate Lien Bonds. All amounts paid and credited to the debt service account(s) for any Subordinate Lien Bonds shall be expended and used by the Issuer for the sole purpose of paying the Debt Service Requirements for any Subordinate Lien Bonds as and when the same become due at Maturity and on each Bond Payment Date.

(f) ***Surplus.*** After all payments and credits required to be made by the Hospital under the provisions of ***Section 601(a)*** through ***(f)*** of the Pledge Agreement have been made, all remaining Revenues may be expended and used as determined in the discretion of the Hospital Board. So long as any of the Bonds owned or insured by USDA remain Outstanding, no Revenues shall be diverted to the general governmental or municipal functions of the Issuer or any other purpose.



**Section 603. Transfer of Funds to Paying Agent.** The Treasurer of the Issuer is hereby authorized and directed to withdraw from the Debt Service Account and any debt service account(s) for any Junior Lien Bonds or Subordinate Lien Bonds, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Debt Service Reserve Account as provided in **Section 602(c)** hereof, sums sufficient to pay the principal of and interest on the Bonds as and when the same become due on any Bond Payment Date, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Bond Resolution.

**Section 604. Payments Due on Saturdays, Sundays and Holidays.** In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

## ARTICLE VII

### DEPOSIT AND INVESTMENT OF MONEYS

**Section 701. Deposits and Investment of Moneys.**

(a) Moneys in each of the Funds and Accounts shall be deposited in accordance with laws of the State, in a bank, savings and loan association or savings bank organized under the laws of the State, any other state or the United States which has a main or branch office located in the Issuer. All such depositories shall be members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law. All such deposits shall be adequately secured as provided by the laws of the State. All moneys held in the Funds and Accounts shall be kept separate and apart from all other funds of the Issuer so that there shall be no commingling with any other funds of the Issuer.

(b) Moneys held in any Fund or Account may be invested in accordance with this Bond Resolution and the Tax Compliance Agreement, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created; and provided, further, that Permitted Investments in the Debt Service Reserve Account shall have an average aggregate weighted term to maturity not greater than five years. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account; provided that, during the period of construction of the Project, all earnings on the investment of such funds shall be credited to the Project Fund. All earnings on investments held in the Debt Service Reserve Account shall accrue to and become a part of the Debt Service Reserve Account until the amount on deposit in the Debt Service Reserve Account shall aggregate the Debt Service Reserve Requirement; thereafter, all such earnings shall be credited to the Debt Service Account and any debt service account for Parity Bonds or Parity Obligations on a pro rata basis.

In determining the amount held in any Fund or Account under the provisions of the Bond Resolution, Permitted Investments shall be valued at their market value. Such valuation shall be made as of the final Stated Maturity of principal of any Fiscal Year that the Bonds remain Outstanding. If and when the amount held in any Fund or Account shall be in excess of the amount required by the provisions of this Bond Resolution, the Issuer shall direct that such excess be paid and credited to the Revenue Fund; provided



that, during the period of construction of the extensions and improvements to the Hospital, such excess shall be paid and credited to the Project Fund.

(c) So long as any of the Parity Bonds remain Outstanding, any investments made pursuant to this Section shall be subject to any restrictions in the Parity Resolution with respect to the Funds and Accounts created by and referred to in the Parity Resolution.

## ARTICLE VIII

### GENERAL COVENANTS AND PROVISIONS

The Issuer covenants and agrees with each of the Owners of any of the Bonds that so long as any of the Bonds remain Outstanding and unpaid it will comply with each of the following covenants:

**Section 801. Efficient and Economical Operation.** The Issuer will continuously own and, to the extent of its legal powers, provide that the Hospital Board will operate the Hospital as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order.

**Section 802. Restrictions on Mortgage or Sale of Hospital.** The Issuer will not mortgage, pledge or otherwise encumber the Hospital or any part thereof, nor will it sell, lease or otherwise dispose of the Hospital or any material part thereof; provided, however, the Issuer may:

(a) Sell at fair market value any portion of the Hospital which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the Hospital, and in the event of sale, the Issuer will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the Hospital as hereinbefore provided;

(b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the Issuer;

(c) permitting the granting by the Hospital Board of a security interest in equipment to be purchased with the proceeds of any loan, lease or other obligation undertaken in accordance with *Article IX* hereof; or

(d) sell, lease or convey all or substantially all of the Hospital to another entity or enter into a management contract with another entity if:

(1) The transferee entity is a political subdivision organized and existing under the laws of the State, or instrumentality thereof, or an organization described in Code § 501(c)(3), and expressly assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on all outstanding Hospital Indebtedness according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Bond Resolution;

(2) If there remains unpaid any Hospital Indebtedness which bears interest that is not includable in gross income under the Code, the Issuer receives an opinion of Bond Counsel, in form and substance satisfactory to the Issuer, to the effect that under then existing law the consummation



of such sale, lease or conveyance, whether or not contemplated on any date of the delivery of such Hospital Indebtedness, would not cause the interest payable on such Hospital Indebtedness to become includable in gross income under the Code;

(3) The Issuer receives a certificate of the Financial Consultant which demonstrates and certifies that immediately upon such sale or conveyance the transferee entity will not, as a result thereof, be in default in the performance or observance of any covenant or agreement to be performed or observed by it under this Bond Resolution;

(4) Such transferee entity possesses such licenses to operate the Hospital as may be required if it is to operate the Hospital;

(5) The Hospital Board receives prior written consent from RD/USDA for the release of economically viable assets; and

(6) The Issuer receives an opinion of Bond Counsel, in form and substance satisfactory to the Issuer, as conclusive evidence that any such sale, lease or conveyance, and any such assumption, is permitted by law and complies with the provisions of this Section.

**Section 803. Insurance.** The Hospital Board will carry and maintain insurance with respect to the Hospital and its operations as set forth in **Section 803** of the Pledge Agreement. So long as any of the Bonds are owned or insured by USDA, all officers and employees of the Issuer handling the Funds and Accounts shall be bonded in each Fiscal Year in an amount not less than the total Debt Service Requirements on the Outstanding Bonds, until the final maturity date of the Outstanding Bonds or such other amount as is agreed to by USDA. As long as any of the Bonds owned or insured by USDA remain Outstanding, the Issuer will annually submit a report of its insurance and fidelity bond coverage to USDA for review and approval.

**Section 804. Books, Records and Accounts.** The Issuer will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the Issuer) in which complete and correct entries will be made of all dealings and transactions of or in relation to the Hospital. The Issuer will provide access to such books, records and accounts to USDA so long as USDA is the owner or insurer of any Bonds.

**Section 805. Annual Audit.** Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the Revenues received by the County from the Hospital Board for the preceding Fiscal Year by an Independent Accountant to be employed for that purpose. As long as any of the Bonds owned or insured by USDA remain Outstanding, such audit shall be performed in accordance with RD Instruction 1942-A, Section 1942.17(q)(4) and OMB Circular A-133. Said annual audit shall cover in reasonable detail the operation of the Hospital during such Fiscal Year. Said annual audit shall include:

- (a) A classified statement of the Revenues received during the previous Fiscal Year;
- (b) A complete balance sheet as of the end of each Fiscal Year with the amount on hand at the end of such Fiscal Year in each of the Funds and Accounts maintained by the Issuer;
- (c) A statement of all Bonds and Additional Obligations matured or redeemed and interest paid on Bonds and Additional Obligations during said Fiscal Year;
- (d) A calculation of the Debt Service Coverage Ratio for such previous Fiscal Year. and



(e) Such remarks and recommendations regarding the practices and procedures and its accounting practices as said Independent Accountant may deem appropriate.

Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk, and a duplicate copy of the audit shall be mailed to USDA and the Hospital Board. Such audits shall at all times during the usual business hours be open to the examination and inspection by any user of the services of the Hospital, any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

As soon as possible after the completion of the annual audit, the governing body of the Issuer shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of this Bond Resolution and the Act, the Issuer will promptly cure such deficiency.

## ARTICLE IX

### ADDITIONAL BONDS AND OBLIGATIONS

**Section 901. Senior Lien Bonds.** The Issuer covenants and agrees that so long as any of the Parity Bonds remain Outstanding, the Issuer will not issue any Hospital Indebtedness payable out of the Revenues of the Hospital or any part thereof which are superior to the Parity Bonds with respect to the lien on the Revenues.

**Section 902. Parity Bonds and Parity Obligations.** The Issuer covenants and agrees that so long as any of the Parity Bonds remain Outstanding, it will not issue any Hospital Indebtedness which stand on a parity or equality with the Parity Bonds unless the following conditions are met:

(a) The Issuer shall not be in default in the payment of principal of or interest on any Parity Bonds at the time Outstanding or in making any payment at the time required to be made into the respective Funds and Accounts created by and referred to in this Bond Resolution or any Parity Resolution (unless such Hospital Indebtedness is being issued to provide funds to cure such default) nor shall any other Event of Default have occurred and be continuing;

(b) The Issuer shall obtain a certificate from a Consultant evidencing *either* of the following:

(1) The Debt Service Coverage Ratio for the Fiscal Year immediately preceding the issuance of such Hospital Indebtedness, as reflected by information provided by the Independent Accountant, shall be not less than 1.20, including the Hospital Indebtedness proposed to be issued. In the event that the Hospital Board has instituted any increase in rates for the use and services of the Hospital and such increase shall not have been in effect during the full Fiscal Year immediately preceding the issuance of Additional Bonds or Additional Obligations, the additional Net Revenues which would have resulted from the operation of the Hospital during said preceding Fiscal Year had such rate increase been in effect for the entire period may be added to the stated Net Revenues, provided that such estimated additional Net Revenues shall be determined by the Consultant.

(2) The estimated Debt Service Coverage Ratio for the Fiscal Year immediately following the issuance of such Hospital Indebtedness (as determined by the Consultant), shall be not less than 1.20, including the Hospital Indebtedness proposed to be issued. In the event that the Hospital Board increases the rates for the use and services of the Hospital prior to the issuance of such Hospital Indebtedness proposed to be issued, the Issuer may adjust said estimated Net Revenues by adding thereto any estimated increase in Net Revenues resulting from any increase in



rates for the use and services of the Hospital, which, in the opinion of the Consultant, are reasonable based on projected operations of the Hospital.

(c) When the issuance of Hospital Indebtedness of equal stature and priority is permitted by the Statutes of the State.

(d) Additional deposits to the Debt Service Reserve Account shall be required until the Debt Service Reserve Account contains an amount equal to the Debt Service Reserve Requirement.

(e) The resolution authorizing such Hospital Indebtedness shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in this Bond Resolution and shall acknowledge the fact that the Series 2010-A Bonds are subject to mandatory redemption pursuant to **Section 301(b)** hereof.

Notwithstanding the foregoing restrictions, additional Hospital Indebtedness may be issued under this Section if it is necessary: (1) in the opinion of the Consultant to repair the Hospital if damaged or destroyed by disaster to such extent necessary to keep it in good operating condition; or (2) in the opinion of the Issuer's legal counsel to remedy any deficiency of the Hospital relating to environmental pollution matters or to comply with the requirements of any governmental agency having jurisdiction over the Issuer with respect thereto.

Additional Hospital Indebtedness issued under the conditions set forth in this Section shall stand on a parity with the Parity Bonds and Parity Obligations and shall enjoy complete equality or lien on and claim against the Net Revenues of the Hospital, and the Issuer may make equal provision for paying the Debt Service Requirements on such Hospital Indebtedness out of the Revenue Fund and may likewise provide for the creation of reasonable debt service accounts and debt service reserve accounts for the payment of the Debt Service Requirements on such Hospital Indebtedness and the interest thereon out of moneys in the Revenue Fund.

**Section 903. Junior Lien Obligations.** Nothing in this Article shall prohibit or restrict the right of the Issuer to issue Junior Lien Obligations for any lawful purpose in connection with the operation of and benefiting the Hospital and to provide that the Debt Service Requirements on such Junior Lien Obligations shall be payable out of the Revenues of the Hospital, provided at the time of the issuance of such Junior Lien Obligations the Issuer is not in default in the performance of any covenant or agreement contained in the Bond Resolution and the Hospital Board is not in default in the performance of any covenant or agreement contained in the Pledge Agreement (unless such Hospital Indebtedness shall be issued to cure such default and shall be junior and subordinate to the Parity Bonds and Parity Obligations) so that if at any time the Issuer shall be in default in paying either interest on or principal of the Parity Bonds or Parity Obligations, or of the Issuer is in default in making debt service, operation and maintenance or debt service reserve deposits or payments required to be made by it under the Bond Resolution, the Issuer shall make no payments of either principal of or interest on said Junior Lien Obligations until said default or defaults be cured.

**Section 904. Subordinate Lien Bonds.** Nothing in this Article shall prohibit or restrict the right of the Issuer to issue Hospital Indebtedness for any lawful purpose in connection with the operation of and benefiting the Hospital and to provide that the Debt Service Requirements on such Hospital Indebtedness shall be payable out of the Revenues of the Hospital, provided at the time of the issuance of such Hospital Indebtedness, the Issuer is not in default in the performance of any covenant or agreement contained in this Bond Resolution and the Hospital Board is not in default in the performance of any covenant or agreement contained in the Pledge Agreement (unless such Hospital Indebtedness is being issued to provide funds to cure such default), and provided further that such Hospital Indebtedness shall be junior and subordinate to



the Parity Bonds and Parity Obligations so that if at any time the Issuer shall be in default in paying either interest on or principal of the Parity Bonds or Parity Obligations, or if the Issuer is in default in making any payments required to be made by it under the provisions of paragraphs (a) through (d) of **Section 602** of this Bond Resolution, the Issuer shall make no payments of either principal of or interest on said Subordinate Lien Bonds until said default or defaults be cured. In the event of the issuance of any such Subordinate Lien Bonds, the Issuer, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said Subordinate Lien Bonds out of moneys in the Revenue Fund.

**Section 905. Refunding Bonds.** Subject to the continuing obligation of the Issuer to comply with the provisions of **Section 301(b)** and **Section 905** hereof so long as any Bonds are owned or insured by USDA, the Issuer shall have the right, without complying with the provisions of **Section 902** hereof, to refund any of the Bonds under the provisions of any law then available, and the refunding bonds so issued shall enjoy complete equality of pledge as did the Bonds that were refunded; provided, however, that if only a portion of any series of Bonds are refunded and if said Bonds are refunded in such manner that the refunding bonds bear a higher average rate of interest or become due on a date earlier than that of the Bonds which are refunded, then said Bonds may be refunded without complying with the provisions of **Section 902** hereof only by and with the written consent of the Owners of a majority in principal amount of the Bonds not refunded.

**Section 906. Consent of Purchaser to Additional System Indebtedness.** Notwithstanding any provision of this Bond Resolution to the contrary, as long as any Bonds that remain Outstanding are owned or insured by USDA, the Issuer will not issue any additional Hospital Indebtedness without the prior written consent of USDA.

## ARTICLE X

### DEFAULT AND REMEDIES

**Section 1001. Remedies.** The provisions of this Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

The Issuer hereby directs the Paying Agent to notify the Owners of any Event of Default of which it has actual notice.

**Section 1002. Limitation on Rights of Owners.** The covenants and agreements of the Issuer contained herein and in the Bonds shall be for the equal benefit, protection, and security of the Owners of



Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Issuer, for the purpose of paying and discharging any of the Bonds, shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank or trust company in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All money and Defeasance Obligations deposited with the Paying Agent or such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions of this Bond Resolution.

Notwithstanding anything in this Bond Resolution to the contrary, so long as any Bonds are owned or insured by USDA, the Issuer will not issue any additional Hospital Indebtedness for the purpose of providing funds to refund all or a part of the Bonds unless either: (a) all of such Bonds are paid, retired and cancelled concurrently with the issuance of such refunding Hospital Indebtedness or at the next occurring Stated Maturity; or (b) written consent to the issuance of such refunding Hospital Indebtedness is given by USDA.

## ARTICLE XII

### TAX COVENANTS

**Section 1201. General Covenants.** The Issuer covenants and agrees that it will comply with: (a) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2010-A Bonds; and (b) all provisions and requirements of the Tax Compliance Agreement. The Chairman and Clerk are hereby authorized and directed to execute the Tax Compliance Agreement in a form approved by Bond Counsel, for and on behalf of and as the act and deed of the Issuer. The Issuer will, in addition, adopt such other resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Series 2010-A Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

**Section 1202. Survival of Covenants.** The covenants contained in this Article and in the Tax Compliance Agreement shall remain in full force and effect notwithstanding the defeasance of the Series 2010-A Bonds pursuant to *Article XI* hereof or any other provision of this Bond Resolution until such time as is set forth in the Tax Compliance Agreement.

## ARTICLE XIII

### MISCELLANEOUS PROVISIONS

**Section 1301. Amendments.** The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of this Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;



(b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond;

(c) permit preference or priority of any Bond over any other Bond;

(d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of this Bond Resolution; or

(e) permit the creation of a lien on the Revenues of the Hospital prior or equal to the lien of the Parity Bonds or Additional Obligations.

Any provision of the Bonds or of this Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement this Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity herein, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to more precisely identify the Project, to conform this Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Every amendment or modification of the provisions of the Bonds or of this Bond Resolution, to which the written consent of the Owners is given, as above provided, shall be expressed in a resolution adopted by the governing body of the Issuer amending or supplementing the provisions of this Bond Resolution and shall be deemed to be a part of this Bond Resolution. A certified copy of every such amendatory or supplemental resolution, if any, and a certified copy of this Bond Resolution shall always be kept on file in the office of the Clerk, and shall be made available for inspection by the Owner of any Bond or a prospective purchaser or owner of any Bond authorized by this Bond Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of this Bond Resolution will be sent by the Clerk to any such Owner or prospective Owner.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the Clerk a copy of the resolution of the Issuer hereinabove provided for, duly certified, as well as proof of any required consent to such modification by the Owners of the Bonds then Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The Issuer shall furnish to the Paying Agent a copy of any amendment to the Bonds or this Bond Resolution which affects the duties or obligations of the Paying Agent under this Bond Resolution.

**Section 1302. Notices, Consents and Other Instruments by Owners.** Any notice, consent, request, direction, approval or other instrument to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Bond Resolution, and shall be conclusive in favor of the Issuer and the Paying Agent with regard to any action taken, suffered or omitted under any such instrument, namely:



(a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the Bond Register.

In determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Bond Resolution, Bonds owned by the Issuer shall be disregarded and deemed not to be Outstanding under this Bond Resolution, except that, in determining whether the Owners shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Owners know to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Owners the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer.

**Section 1303. Notices.** Any notice, request, complaint, demand or other communication required or desired to be given or filed under this Bond Resolution shall be in writing, given to the Notice Representative at the Notice Address and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent.

All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

**Section 1304. Inconsistent Provisions.** In case any one or more of the provisions of this Bond Resolution or of the Bonds issued hereunder shall for any reason be inconsistent with the provisions of any Parity Resolution or any Parity Bonds: (a) the provisions of any Parity Resolution adopted prior to this Bond Resolution shall prevail with respect to Parity Bonds issued prior in time, so long as such Parity Bonds are Outstanding; and (b) the provisions of this Bond Resolution shall prevail with respect to any Parity Resolution adopted subsequent to the Bond Resolution, so long as any Parity Bonds issued under this Bond Resolution are Outstanding.

**Section 1305. Electronic Transactions.** The issuance of the Series 2010-A Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

**Section 1306. Further Authority.** The officers and officials of the Issuer, including the Chairman and Clerk, are hereby authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Bond Resolution and to make ministerial alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.



**Section 1307. USDA Deemed to be Owner.** So long as any Bonds owned or insured by USDA remain Outstanding, USDA shall be deemed to be an Owner of such Bond.

**Section 1308. Severability.** If any section or other part of this Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of this Bond Resolution.

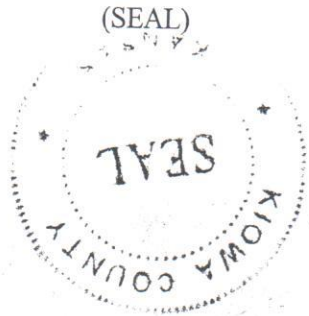
**Section 1309. Governing Law.** This Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

**Section 1310. Effective Date.**  
This Bond Resolution shall take effect and be in full force from and after its passage by the governing body of the Issuer.

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ADOPTED by the governing body of the Issuer on January 4, 2010.



Ronald Freeman  
Chairman

Dennis Richards  
Commissioner

Jane West  
Commissioner

ATTEST:

Carman Ruppman  
Clerk

#### CERTIFICATE

I, the undersigned, hereby certify that the above and foregoing is a true and correct copy of the Resolution No. 2010-1 (the "Bond Resolution") of Kiowa County, Kansas, adopted by the governing body on January 4, 2010, as the same appears of record in my office, and that the Bond Resolution has not been modified, amended or repealed and is in full force and effect as of this date.

DATED: January 4, 2010.

Carman Ruppman  
Clerk