

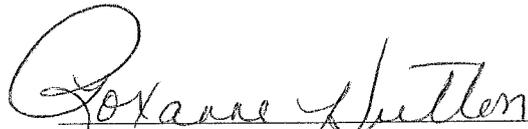
NOTICE OF SPECIAL MEETING OF GOVERNING BODY

Iola, Kansas

You are hereby notified that there will be a special meeting of the governing body on November 7, 2011 at 6:00 p.m. at the Park Community Building, 600 S. State Street to discuss Allen County Hospital Sales Tax Ordinance.

Witness my hand and the seal of said city this 2nd day of November 2011.





Roxanne Hutton, City Clerk

State of Kansas
County of Allen
City of Iola

(First Published in the Iola Register, on January ____, 2011).

ORDINANCE NO. 3392

AN ORDINANCE OF THE CITY OF IOLA, KANSAS PLEDGING THE GENERAL PURPOSES PROPOSED FOR THE FUTURE USE OF REVENUE TO BE RECEIVED FROM A CERTAIN SALES TAX.

WHEREAS, K.S.A. 12-187 *et seq.*, as amended (the "Act"), authorizes the governing body of any Kansas city to submit to the electors of such city the question of imposing a city-wide retailers' sales tax; and

WHEREAS, the governing body of the City of Iola, Kansas (the "City") did call a special question election in the City, to be held in connection with the general election, for the purpose of submitting to the qualified electors of the City the question of imposing a one-half percent (.50%) City-wide retailers' sales tax (the "Sales Tax"), the revenue from which is to be applied to finance the costs of street projects and capital improvements projects of the City; and

WHEREAS, the Act, in K.S.A. 12-197, provides that the City may pass an ordinance pledging the general purposes proposed for the future use of the revenue to be received from the Sales Tax, if the Sales Tax is approved by the voters at the aforementioned election; and

WHEREAS, the governing body of the City finds it necessary and advisable to pass an ordinance pledging the future use of one-half (1/2) of its existing the revenue to be received from the one half percent (.50%) Sales Tax to assist in paying the actual construction costs of new hospital facility to be constructed by Allen County (the "Project"), which could include the payment of debt service on any bonds issued to finance such Project costs, as the governing body by a unanimous vote has determined that said project meets the public purpose of the aforementioned Sales tax and is in the best interests of its citizens and the economic development of the area.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF IOLA, KANSAS AS FOLLOWS:

Section 1. Pledging of Use of Sales Tax Revenues. The City pledges the future use of one half (1/2) of the revenue to be received from the one-half percent (.50%) Sales Tax to pay the costs of the Project, which may include payment of debt service on any bonds issued to finance such costs.

Section 2. Costs of the Project. Costs of the Project shall include all costs and expenses actually incurred and paid to build a new hospital facility within or adjacent to the City of Iola, Kansas. Costs of the Project shall include the cost of all planning, architectural & engineering services; all costs associated with acquisition of real estate, site preparation and provision of utilities; the costs of all construction and construction management service; the costs of all legal, and financial services; all costs of debt service and all other reasonable and necessary expenses of the project.

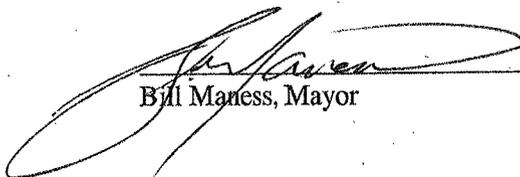
Section 3. Availability of Funds. Said sales tax revenue funds shall be available for use on the Project no earlier than when the funds from a similar sales tax approved by the voters of Allen County, Kansas in the November 2, 2010 election shall be available for distribution. Said funds shall be paid to the Board of Trustees of the Allen County Hospital appointed by the Allen County Commission on November 9th, 2010. Furthermore, the funds may not be distributed except in accordance with Section 2 herein above, and in no case will exceed the proceeds received from the sales tax or \$350,000 whichever is smaller. Funds for the Project from this Sales tax shall cease as of the collections made as of December 31, 2019. In the event that the hospital project is terminated prior to completion, then and in that event, all sales tax revenue paid by the city to the Hospital Trustees shall be refunded to the City of Iola.

Section 4. Severability. If any provision or section of this Ordinance is deemed or ruled unconstitutional or otherwise illegal or invalid by any court of competent jurisdiction, such illegality or invalidity shall not affect any other provision of this Ordinance. In such instance, this Ordinance shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

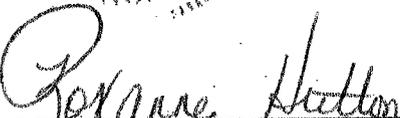
Section 5. Effective Date. This Ordinance shall be published once a week for two consecutive weeks in the official City newspaper, and shall take effect sixty (60) days after final publication, unless a petition signed by a number of electors of the City equal to not less than ten percent (10%) of the number of electors who voted at the last preceding regular City election shall be filed in the office of the election officer of Allen County, demanding that this Ordinance be submitted to a vote of the electors, in which event this Ordinance shall take effect when approved by a majority of the City electors voting at an election held for such a purpose.

PASSED by the Governing Body of the City of Iola, Kansas this 19th day of January, 2010 and **APPROVED** and **SIGNED** by the Mayor.

CITY OF IOLA, KANSAS


Bill Maness, Mayor




Roxanne Hutton, City Clerk

Excess Sales Tax Provisions

As Allen County Hospital will be a public entity, all of the Trustees' financial records will be open to the public. Upon completion of the hospital annual reports and no later than 150 days after the end of each fiscal year, the Board of Trustees will cause the previous years' annual reports to be delivered to the city clerk of the City of Iola. This obligation to deliver records shall continue until December 31st, 2019.

If, prior to the expiration of the city's sales tax obligation as provided herein, the financial records of the hospital for any year establish that the conditions set out below have been met, then and in that event, the sales tax payments of the city for the ensuing year shall be suspended and any sales tax received to date for the suspended year shall be rebated by the hospital back to the city. Whether the following conditions have been met will be evaluated year by year. It is the intent of the parties that the hospital be in a healthy financial position before any city sales tax payments are suspended. The conditions for suspension of the city sales tax payments are as follows:

1. The \$5,000,000 working capital bonds have been paid in full.
2. The hospital's cash flow or EBIDA equals or exceeds 1.75 times the total annual debt service payment on the outstanding construction bonds series 2011 and 2012.
3. The hospital has on hand at least 100 days cash for operation.

ORDINANCE NO. ____

AN ORDINANCE AMENDING ORDINANCE NO. 3392 OF THE CITY OF IOLA, KANSAS, WHICH PLEDGED THE GENERAL PURPOSES PROPOSED FOR THE FUTURE USE OF REVENUE TO BE RECEIVED FROM A CERTAIN SALES TAX OF THE CITY.

WHEREAS, the City of Iola, Kansas (the “City”) has heretofore passed Ordinance No. 3392 which pledged the future use of one-half (1/2) of the revenue to be received from an existing one-half percent (.50%) City-wide retailers sales tax (the “Sales Tax”); and

WHEREAS, Ordinance No. 3392 was passed, published and became effective in accordance with the provisions of K.S.A. 12-197; and

WHEREAS, it is now necessary and advisable to amend Ordinance No. 3392 to more precisely prescribe the limitations of the pledge of the Sales Tax revenues.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF IOLA, KANSAS, AS FOLLOWS:

Section 1. *Amendment of Section 3 of Ordinance No. 3392.* Section 3 of Ordinance No. 3392 is amended to read as follows:

“**Section 3. Availability of Funds.** Said Sales Tax revenue funds shall be available for use on the Project no earlier than when the funds from a similar sales tax approved by the voters of Allen County, Kansas in the November 2, 2010 general election shall be available for distribution. Said fund shall be paid to the Board of Trustees of the Allen County Hospital appointed by the Allen County Board of Commissioners (the “Hospital Trustees”). Furthermore, the funds may not be distributed except in accordance with Section 2 herein above, and in no case will exceed in any calendar year the proceeds received from one-half (1/2) of the Sales Tax or \$350,000, whichever is smaller. Funds for the Project from this Sales Tax pledge shall cease as of collections made as of December 31, 2019. In the event that the hospital project is terminated prior to completion, then and in that event, all Sales Tax revenue paid by the City to the Hospital Trustees shall be refunded to the City.”

Section 2. *Ratification of Ordinance No. 3392.* Original Ordinance No. 3392, which will be amended when this Ordinance becomes effective, is otherwise ratified and confirmed in all respects as of its original effective date.

Section 3. *Effective Date.* This Ordinance shall be published once a week for two consecutive weeks in the official City newspaper, and shall take effect sixty (60) days after final publication, unless a petition signed by a number of electors of the City equal to not less than ten percent (10%) of the number of electors who voted at the last preceding regular City election shall be filed in the office of the election officer of Allen County, demanding that this Ordinance be submitted to a vote of the electors, in which even

this Ordinance shall take effect when approved by a majority of the City electors voting at an election held for such a purpose.

PASSED by the Governing Body of the City of Iola, Kansas on _____, 2011, AND **APPROVED** and **SIGNED** by the Mayor.

(SEAL)

Mayor

ATTEST:

Clerk

SALES TAX DISBURSEMENT AGREEMENT

THIS AGREEMENT, made as of _____, 2011, between the **City of Iola, Kansas** (the "City"), a municipal corporation duly organized and existing under the constitution and laws of the state of Kansas, **Allen County, Kansas** (the "County"), a political subdivision, duly organized and existing under the constitution and laws of the state of Kansas, **the Board of Trustees of Allen County Hospital** (the "Hospital Board"), and **UMB Bank, n.a.**, Kansas City, Missouri, a national banking association duly organized and existing under the laws of the United States, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, pursuant to K.S.A. 12-187 *et seq.*, as amended, the governing body of the City did call a special question election in the City for the purpose of submitting to the qualified electors of the City the question of imposing a one-half percent (.50%) City-wide retailers' sales tax (the "Sales Tax"), the revenue from which is to be applied to finance the costs of street projects and capital improvement projects of the City; and

WHEREAS, pursuant to K.S.A. 12-197, the governing body of the City passed Ordinance No. 3392, pledging the future use of one-half (1/2) of the revenue to be received from the Sales Tax, in an annual aggregate amount equal to one half of the actual proceeds received from the Sales Tax or \$350,000, whichever is smaller (the "Dedicated Sales Tax Revenues"), to the Hospital Board to assist in paying the actual construction costs of a new Allen County Hospital facility, which could include the payment of debt service on any bond issued to finance such costs; and

WHEREAS, the County is the owner of certain real estate (the "Land") on which it desires to locate the new Allen County Hospital facility; and

WHEREAS, the Allen County, Kansas Public Building Commission (the "PBC"), a duly organized municipal corporation created by the County pursuant to K.S.A. 12-1757 *et seq.* as amended by Charter Resolution No. 201014 (the "Act"), in order to construct, furnish and equip the new Allen County Hospital facility to be located on the Land (the "Improvements," which together with the Land shall collectively be referred to as the "Project") for the County, has determined that it is necessary and desirable to issue its Revenue Bonds, Series 2011 (Allen County Hospital Project) in the aggregate principal amount of not to exceed \$10,000,000 (the "Series 2011 Bonds") and its Revenue Bonds, Series 2012 (Allen County Hospital Project) in the aggregate principal amount of not to exceed \$15,000,000 (the "Series 2012 Bonds") under and pursuant to and subject to the provisions of the Act; and

WHEREAS, the Series 2011 Bonds and the Series 2012 Bonds shall be issued and secured pursuant to a Bond Trust Indenture dated as of December 1, 2011 (the "Indenture") between the PBC and the Trustee; and

WHEREAS, the PBC and the County shall enter into a Base Lease dated as of December 1, 2011 whereby the County agrees to lease the Land and the Improvements, as constructed, to the PBC upon the terms and conditions set forth therein; and

WHEREAS, the PBC and the County shall enter into a Lease dated as of December 1, 2011 (the “Lease”), under which the proceeds of the Series 2011 Bonds and Series 2012 Bonds shall be used to pay the costs necessary to acquire the Land and to construct, furnish and equip the Improvements, and pursuant to which the PBC shall lease the Project to the County in consideration of rentals which are intended to be sufficient to provide for the payment of the principal of, premium, if any, and interest of the Series 2011 Bonds and Series 2012 Bonds as the same become due; and

WHEREAS, the County and the Hospital Board shall enter into a Pledge of Revenues and Operation Agreement dated as of December 1, 2011 (the “Pledge Agreement”) pursuant to which the Hospital Board will pledge to the County for payment of rentals under the Lease certain revenues generated from the operations of the Allen County Hospital; and

WHEREAS, under the Indenture, the Trustee is authorized, empowered and directed to perform the duties of the PBC, as lessor under the Lease, including collection of rentals for disbursement to the owners of the Series 2011 Bonds and Series 2012 Bonds as provided in the Indenture, and to perform, insofar as it legally can, all acts otherwise required of the PBC under the Lease;

NOW, THEREFORE, the parties hereto have agreed as follows:

1. The parties acknowledge and agree that pursuant to Ordinance No. 3392, as such may be amended, the City has pledged to the Hospital Board the use of the Dedicated Sales Tax Revenues to pay the costs of the Project, which may include payment of debt service on the Series 2011 Bonds and Series 2012 Bonds.

2. The parties further acknowledge and agree that pursuant to the terms of the Lease, the County is obligated to make rental payments to the Trustee, on behalf of the PBC, in amounts necessary to pay the principal of and interest on the Series 2011 Bonds and Series 2012 Bonds when due. The County represents that such rental payments, after credit for any Dedicated Sales Tax Revenues, will be made from the receipts from the one-quarter of one percent (.25%) County-wide Sales Tax approved by the voters of Allen County, Kansas on November 2, 2010 (the “County Sales Tax”) and, to the extent not made from the revenues described in Paragraph 3 below, from the County’s general fund.

3. The parties further acknowledge and agree that pursuant to the terms of the Pledge Agreement, the Hospital Board is obligated to make monthly payments to the Trustee in amounts necessary to pay the principal of and interest on the Series 2011 Bonds and Series 2012 Bonds when due. The Hospital Board represents that such payments will be made from revenues generated from the operations of the Allen County Hospital.

4. The City and the Hospital Board agree that on the date the Series 2011 Bonds are issued and delivered, the City will transfer to the Trustee, on behalf of the PBC, the Dedicated Sales Tax Revenues received by the City as of such date. The City and the Hospital Board further agree that on or before the first day of each month, beginning January 1, 2012, the City will transfer any receipts from the Dedicated Sales Tax Revenues directly to the Trustee, on behalf of the PBC. Funds available for such transfers shall cease as of the collections made as of December 31, 2019, as provided by Ordinance No. 3392. The parties agree that the Hospital Board will receive a credit against its obligations under the Pledge Agreement in the amount of such transfers.

5. The County agrees that on the date the Series 2011 Bonds are issued and delivered, the County will transfer to the Trustee, on behalf of the PBC, the County Sales Tax revenues received by the County as of such date. Thereafter, the County agrees to apply County Sales Tax revenues to its obligation to make rental payments under the Lease, as more particularly set forth therein. The parties agree that the

Hospital Board will receive a credit against its obligations under the Pledge Agreement in the amount of such transfers.

6. The Trustee agrees to deposit such County Sales Tax revenues and the Dedicated Sales Tax Revenues into the Debt Service Reserve Fund established under the Indenture until such fund reaches the Maximum Debt Service Reserve Requirement (as such term is defined in the Indenture), and thereafter to deposit such County Sales Tax revenues and the Dedicated Sales Tax Revenues into the Debt Service Fund established under the Indenture, and to apply such funds to the payment of debt service on the Series 2011 Bonds and Series 2012 Bonds, all as set forth in the Indenture.

7. This Agreement will continue until the earlier of the date that all Dedicated Sales Tax Revenues have been disbursed as set forth herein or the date that no Series 2011 Bonds or Series 2012 Bonds remain outstanding under the Indenture.

8. This Agreement may be amended or supplemented in whole or in part upon written agreement of the parties.

9. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one instrument.

[remainder of this page left blank intentionally]

IN WITNESS WHEREOF, the City of Iola, Kansas caused this Agreement to be executed on its behalf by an authorized official, to be effective as of the date first above written.

CITY OF IOLA, KANSAS

[SEAL]

By: _____
Mayor

Attest:

City Clerk

IN WITNESS WHEREOF, Allen County, Kansas caused this Agreement to be executed on its behalf by an authorized official, to be effective as of the date first above written.

ALLEN COUNTY, KANSAS

[SEAL]

By: _____
Chairman, Board of County Commissioners

Attest:

County Clerk

IN WITNESS WHEREOF, the Board of Trustees of Allen County Hospital has caused this Agreement to be executed on its behalf by an authorized official, to be effective as of the date first above written.

**BOARD OF TRUSTEES
ALLEN COUNTY HOSPITAL**

[SEAL]

By: _____
Chairman

Secretary

IN WITNESS WHEREOF, UMB Bank, n.a., as Trustee, has caused this Agreement to be executed on its behalf by an authorized officer, to be effective as of the date first above written.

**UMB BANK, N.A.,
as Trustee**

[SEAL]

By: _____
Title: