

AUTHORIZING THE ISSUANCE AND SALE
OF REVENUE BONDS OF THE CITY AND
AMENDMENT OF TERMS OF SERIES 1995B BONDS ON BEHALF OF
CHILDREN'S HEALTH CARE AND THE EXECUTION OF DOCUMENTS

WHEREAS, this Council has received a proposal from Children's Health Care, a Minnesota nonprofit corporation (the "Corporation"), that the City of Minneapolis (the "City"), acting jointly with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA," and together with the City, the "Issuer"), issue its revenue bonds (the "Bonds") under Minnesota Statutes, Sections 469.152 to 469.165 (the "Act"), in one or more series, for the purposes of (a) refunding all or a portion of the Issuer's outstanding Health Care Revenue Bonds (Children's Health Care), Series 1995A (the "Series 1995A Bonds"); (b) to finance an approximately 45,000 square feet expansion of Minneapolis-Children's, which is owned by the Corporation and consists of a hospital and other health care related facilities on a campus located at 2525 Chicago Avenue in the City of Minneapolis and improvements to and remodeling of a portion of the Minneapolis-Children's and the acquisition and installation of equipment therein, including the construction of 4 new floors over the existing pediatric intensive care unit in which will be located a family center, new operating rooms and ambulatory services, the remodeling of the neonatal intensive care unit, and the acquisition and installation of imaging and other medical equipment (the "Minneapolis Project"), (c) to finance improvements to and remodeling of a portion of St. Paul-Children's, which is owned by the Corporation and consists of a hospital and other health care related facilities on a campus located at 345 North Smith Avenue in the City of St. Paul, and the acquisition and installation of equipment therein, including the remodeling of the neonatal intensive care unit, construction of a new CATH lab, installation of a new telephone system and the acquisition and installation of imaging and other medical equipment (the "St. Paul Project"), (d) if required in connection with the issuance and sale of the Bonds, to fund a deposit to the debt service reserve fund securing the Bonds, and (e) to pay certain costs of issuance of the Bonds.

WHEREAS, under the plan of financing proposed by the Corporation the bonds issued by the Issuer to refund the Series 1995A Bonds will initially be issued as bonds the interest on which is includable in gross income for federal income tax purposes (the "Taxable Bonds"), and the Taxable Bonds will later be reissued for federal income tax purposes by the Issuer as bonds the interest on which is not includable in gross income for federal income tax purposes.

WHEREAS, at a public hearing, duly noticed and held on July 13, 2004, in accordance with the Act and Section 147(f) of the Internal Revenue Code of 1986, as amended, on the proposal that the Issuer issue the Bonds to refund the Series 1995A Bonds and to finance the Minneapolis Project and St. Paul Project, all parties who appeared at the hearing were given an opportunity to express their views with respect to the proposal to refund the Series 1995A Bonds and to finance the Minneapolis Project and the St. Paul Project, and interested persons were given the opportunity to submit written comments to the City Clerk before the time of the hearing.

WHEREAS, this Council hereby finds that the issuance and sale of up to \$110,000,000 aggregate principal amount of the Bonds in one or more series under the authority contained in the Act to refund the Series 1995A Bonds and to finance the Minneapolis Project and the St. Paul Project would promote the purposes contemplated and described in Section 469.152 of the Act and further promote the public purposes and legislative objectives of the Act by providing the City and surrounding area with necessary healthcare facilities, is in the best interest of the City and the City hereby determines to issue and sell such Bonds.

WHEREAS, in connection with the issuance of the Bonds the City and HRA will enter into a Joint Powers Agreement (the "Joint Powers Agreement"), a draft of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary.

WHEREAS, the proceeds of the Bonds will be lent (the "Loan") by the City and the HRA to the Corporation, in order to refund the 1995A Bonds, to finance the Minneapolis Project and the St. Paul Project, to fund a debt service reserve fund for the Bonds if required in connection with the issuance and sale of the Bonds and to pay certain costs of issuance of the Bonds.

WHEREAS, pursuant to one or more Loan Agreements (whether one or more, the "Loan Agreement"), to be entered into between the City, the HRA and the Corporation, a draft of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the Corporation will issue to the City and the HRA its Note or Notes (whether one or more, the "Notes"). The Notes will be issued under the Master Trust Indenture (the "Master Indenture"), dated as of September 1, 1995, between the Corporation and U.S. Bank National Association, formerly known as First Trust National Association, as trustee (the "Master Trustee"), as supplemented and amended by a Supplemental Indenture ("Supplemental Indenture") to be entered into between the Corporation and the Master Trustee. Under the Notes the Corporation, and other members of the Obligated Group under the Master Indenture, will unconditionally agree to repay the Loan made by the City under the Loan Agreement in specified amounts and at specified times sufficient to make the necessary payments of principal of, premium, if any, and interest on the Bonds, when due. In addition, the Loan Agreement contains provisions relating to the payment by the Corporation of administrative costs of the Bond Trustee (as hereinafter defined), the administrative fee of the City and HRA, indemnification, insurance and other agreements and covenants which are required by the Act or which are permitted by the Act and which the City and HRA and the Corporation deem necessary or desirable for the sale of the Bonds.

WHEREAS, pursuant to one or more Indenture of Trusts (whether one or more, the "Bond Indenture") to be entered into between the City, the HRA and a trustee to be named (the "Bond Trustee"), a draft of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, the Issuer assigns and pledges all of its right, title and interest in the Loan Agreement (other than the right of the Issuer for indemnification and administrative expenses), the Notes, the Master Indenture and the Supplemental Indenture to the Bond Trustee. In addition, the Bond Indenture, among other things, sets the interest rates, maturity dates and redemption provisions for the Bonds, establishes the various funds and accounts for the deposit and transfer of money and contains other

provisions which are required by the Act or which are permitted by the Act and which the Issuer and the Corporation deem necessary or desirable in connection with the sale of the Bonds.

WHEREAS, pursuant to the terms of an Escrow Agreement (the “Escrow Agreement”), to be entered into between the City, HRA and the Corporation, the Bond Trustee and an escrow agent (the “Escrow Agent”), the form of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary, a portion of the proceeds of the Bonds will be deposited with the Escrow Agent and applied, with other available funds of the Corporation and any funds held by the trustee of the Series 1995A Bonds, for the purpose of defeasing the Series 1995A Bonds.

WHEREAS, the Bonds will be special limited obligations of the Issuer payable solely from amounts payable by the Corporation and other members of the Obligated Group under the Master Indenture under the Notes, other than to the extent payable from the proceeds of the Bonds. The Bonds shall not be payable from or charged upon any funds other than the revenue pledged to the payment thereof, nor shall the City or HRA be subject to any liability thereon. No holder or holders of any Bond shall ever have the right to compel any exercise of the taxing power of the City or HRA to pay any such Bond or the interest thereon, nor to enforce payment thereof against any property of the City or HRA except the Notes. The Bonds shall not constitute a debt of the City or HRA within the meaning of any charter, constitutional or statutory limitation.

WHEREAS, the Bonds will be purchased from the Issuer by Piper Jaffray & Co. (the “Underwriter”) pursuant to one or more Purchase Contracts (whether one or more, the “Bond Purchase Agreement”) between the City, HRA, the Corporation and the Underwriter, a copy of which has been presented to the Council at this meeting and which has been reviewed to the extent deemed necessary.

WHEREAS, a draft of an Official Statement, related to the Bonds, has been presented to the Council at this meeting and has been reviewed to the extent deemed necessary. The Official Statement will be distributed by the Underwriter to potential purchasers of the Bonds.

WHEREAS, the Issuer has previously issued its Health Care Revenue Bonds (Children’s Health Care), Series 1995B (the “Series 1995B Bonds”), on behalf of the Corporation to finance improvements to and the acquisition and installation of equipment in Minneapolis-Children’s and St. Paul-Children’s.

WHEREAS, the Series 1995B Bonds were issued by the Issuer pursuant to a Bond Trust Indenture dated as of September 1, 1995 (the “1995B Bond Indenture”), by and between the City, the HRA and the U.S. Bank National Association, as bond trustee (the “1995B Bond Trustee”), and the proceeds of the Series 1995B Bonds were loaned by the City and HRA to the Corporation pursuant to a Loan Agreement dated as of September 1, 1995 (the “1995B Loan Agreement”), by and between the City, the HRA and the Corporation.

WHEREAS, the Corporation has proposed that the terms of Series 1995B Bonds be amended and that in connection with such amendment of the terms of the Series 1995B

Bonds, the 1995B Bond Indenture be amended and restated pursuant to the Amended and Restated Bond Trust Indenture by and between the City, the HRA and the 1995B Bond Trustee (the "Amended 1995B Bond Indenture"), the form of which has been presented to the Council at this meeting and has been reviewed to the extent deemed necessary, and that the 1995B Loan Agreement be amended and restated pursuant to an Amended and Restated Loan Agreement by and between the City, the HRA and the Corporation (the "Amended 1995B Loan Agreement"), the form of which has been presented to the Council at this meeting and has been reviewed to the extent deemed necessary.

NOW, THEREFORE, BE IT RESOLVED, in order to provide for the refunding of the Series 1995A Bonds, and to finance the Minneapolis Project and the St. Paul Project, the City hereby authorizes the issuance of the Bonds as revenue bonds under the Act in one or more series, in the aggregate principal amount of up to \$110,000,000 (exclusive of any portion representing original issue discount). The City Finance Officer is hereby authorized to approve the purchase price of the Bonds, provided that the purchase price equals or exceeds 98% of the principal amount of the Bonds less any portion of such principal amount which represents original issue discount; the aggregate principal amount of the Bonds, provided that such principal amount is not in excess of \$110,000,000 (exclusive of any portion representing original issue discount); the maturity schedule of the Bonds, provided that the Bonds mature at any time or times in such amount or amounts not exceeding 30 years from the date of issuance thereof; the provisions for prepayment and redemption of the Bonds prior to their stated maturity; and the initial interest rates for any series of Bonds, provided that no initial interest rate exceeds 5.00% per annum. Such approval shall be conclusively evidenced by the execution of the Bond Purchase Agreement as provided herein. The issuance of the Bonds is subject to the approval by the Minnesota Department of Employment and Economic Development as required by the Act.

FURTHER RESOLVED, each Bond shall be executed on behalf of the City by the manual or facsimile signature of the City Finance Officer, and its corporate seal (which may be in facsimile) shall be thereunto affixed, imprinted or engraved. The Bonds when executed and delivered shall contain a recital that they are issued pursuant to the Act. The Bond Trustee is hereby designated as authenticating agent pursuant to Minnesota Statutes, Section 475.55. If any officer who shall have signed or sealed any of the Bonds shall cease to be an officer of the City before the Bonds so signed and sealed shall have been actually authenticated by the Trustee or delivered by the City, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person who signed or sealed such Bonds had not ceased to be such officer of the City.

FURTHER RESOLVED, the Joint Powers Agreement, the Bond Indenture, the Loan Agreement, and the Escrow Agreement are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the form submitted to this meeting, and the City Finance Officer is hereby authorized and directed to execute, acknowledge and deliver the Bond Indenture, the Loan Agreement and the Escrow Agreement on behalf of the City with such changes, insertions and omissions therein as do not change the substance of the Joint Powers Agreement, the Bond Indenture, Loan Agreement or the Escrow Agreement and as may be approved by the City Finance Officer, such approval to be evidenced conclusively by his execution of the Joint Powers Agreement, the Bond Indenture, the Loan Agreement and the Escrow Agreement.

FURTHER RESOLVED, the City hereby consents to the distribution by the Underwriter to potential purchasers of the Bonds of a Preliminary Official Statement in substantially the form of the Official Statement submitted to the Council at this meeting if it is determined by the Underwriter and the Corporation to be necessary to distribute a Preliminary Official Statement to potential purchasers of the Bonds, and consents to the distribution by the Underwriter of the Official Statement by the Underwriter to potential purchasers or purchasers of the Bonds in substantially the form submitted to the Council at this meeting. The City has not and will not participate in the preparation of the Preliminary Official Statement or Official Statement and has made no independent investigation with respect to the information contained therein or in the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy or completeness of such information.

FURTHER RESOLVED, the Bond Purchase Agreement is hereby made a part of this Resolution as fully as though set forth in full herein and is hereby approved in the form submitted to this meeting and, upon the determination of the terms of the Bonds (within the limitations set forth herein) and the execution of the Bond Purchase Agreement by the Corporation and the Underwriter, the City Finance Officer is hereby authorized and directed to execute the Bond Purchase Agreement on behalf of the City, with such further changes, insertions or omissions therein as do not change the substance of the Bond Purchase Agreement and as may be approved by the City Finance Officer, such approval to be evidenced conclusively by his execution of the Bond Purchase Agreement.

FURTHER RESOLVED, that the amendment of the terms of the Series 1995B Bonds is hereby approved and the Amended 1995B Bond Indenture and the Amended 1995B Loan Agreement are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the form submitted to this meeting, and the City Finance Officer is hereby authorized and directed to execute, acknowledge and deliver the Amended 1995B Bond Indenture and the Amended 1995B Loan Agreement on behalf of the City with such changes, insertions and omissions therein as do not change the substance of the Amended 1995B Bond Indenture or the Amended 1995B Loan Agreement and as may be approved by the City Finance Officer, such approval to be evidenced conclusively by his execution of the Amended 1995B Bond Indenture and the Amended 1995B Loan Agreement.

FURTHER RESOLVED, that the reissuance of the Taxable Bonds for federal tax purposes as bonds the interest on which is not includable in gross income for federal tax purposes is hereby approved, and the City Finance Officer is authorized to execute and deliver all documents on behalf of the City as may be required in connection with such reissuance of the Taxable Bonds for federal income tax purposes.

FURTHER RESOLVED, the Mayor, the City Clerk, the City Finance Officer and all other officers of the City are hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Joint Powers Agreement, the Bond Indenture, the Loan Agreement, the Escrow Agreement, the Bond Purchase Agreement, the Amended 1995B Bond Indenture and the Amended 1995B Loan Agreement, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

FURTHER RESOLVED, in the absence or disability of the Mayor, the City Clerk, the City Finance Officer or any other officer of the City named in any instrument to be executed on behalf of the City in connection with the issuance of the Bonds and amendment of the terms of the Series 1995B Bonds, the acting Mayor, Assistant City Clerk, Assistant City Finance Officer or other officer may execute such instrument. The execution of any instrument by an officer of the City shall be conclusive evidence of its approval.

FURTHER RESOLVED, the City Finance Officer is hereby designated for all purposes of the Loan Agreement, the Bond Indenture and the Bond Purchase Agreement as the City official authorized to execute on behalf of the City certificates, requests or consents as provided in the Loan Agreement, the Bond Indenture and the Bond Purchase Agreement.

FURTHER RESOLVED, the bonds are hereby designated "Program Bonds" and are determined to be within the "Health Care Program" and the "Program", all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.