

# MEMORANDUM

## EICHNER & NORRIS PLLC

**TO:** Coulee Medical Foundation and Douglas, Grant, Lincoln & Okanogan Counties  
Public Hospital District No. 6

**FROM:** Eichner & Norris PLLC

**RE:** Advice Relating to Payment Procedures for Qualified Build America Bonds

**DATE:** November 13, 2009

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### General

We have acted as Bond Counsel to the Coulee Medical Foundation (the "Issuer") in connection with the issuance on this date of \$23,165,000 in aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized-Coulee Medical Center), Series 2009A (the "Bonds") on a draw down basis and on behalf of Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District No. 6 (the "District") for the purpose of financing the acquisition, construction and equipping of the Issuer's hospital facility known as Coulee Medical Center located in Grand Coulee, Washington. You have irrevocably elected to treat the Bonds as "Build America Bonds," within the meaning of Section 54AA(g) of the Code that are "qualified bonds" within the meaning of Section 54AA(g) of the Code ("Qualified Build America Bonds"). As a result of the election to treat the Bonds as Qualified Build America Bonds, and so long as the Bonds remain Qualified Build America Bonds, you are entitled to apply for payments under Section 6431 of the Code from the United States Treasury that are equal to thirty-five percent of the interest payable under the Bonds on any interest payment date. The purpose of this memorandum is to set out generally the rules, guidelines and procedures that you must follow to apply for such payments and so that you are aware of certain rules relating to the status of the Bonds as Qualified Build America Bonds.

Pursuant to Section 54AA(d) of the Code, the term "Build America Bond" means any taxable state or local government bond (excluding private activity bonds under Section 141 of the Code) that meets the following requirements: (1) the interest on such bond would (but for Section 54AA of the Code) be excludable from gross income under Section 103 of the Code; (2) the bond is issued before January 1, 2011; and (3) the issuer makes an irrevocable election to have Section 54AA of the Code apply. Pursuant to Section 54AA(g) of the Code, the term Qualified Build America Bond means a bond that is issued as part of an issue that meets the following requirements: (1) the bond meets the requirements of a Build America Bond listed above; (2) 100 percent of the excess of (i) the available project proceeds (the sale proceeds of the Bonds, less not more than 2% of such proceeds used to pay issuance costs, plus investments earnings, over (ii) the amounts in a reasonable required reserve fund (as defined in Section 150(a)(3) of the Code) are used for capital expenditures and (3) the issuer makes an irrevocable election to have Section 54AA(g) of the Code apply.

As mentioned above, you have elected to have Section 54AA(g) of the Code apply and the Bonds are being issued on the date hereof. Thus, the key aspects of determining whether or not you are eligible for the refundable credit under Section 6432 is to ensure that you are in compliance with the traditional tax-exempt bond rules and that you have used available proceeds solely to finance capital expenditures. Attached hereto as Exhibit “A” is a Build America Bond Tax Compliance and Non-Arbitrage Certificate (the “Certificate”) designed to assist you in complying with the necessary requirements to be eligible for the refundable credit. In order to be eligible for payments under Section 6431 of the Code from the United States Treasury that are equal to thirty-five percent of the interest payable under the Bonds, it is critical that you carefully review the information in the Certificate, including the information relating to the ongoing use of the project financed with the Bonds.

### **Payment Procedures**

The purpose of this section of this memorandum is to set out generally the rules, guidelines and procedures that you must follow to apply for such refundable credit payments.

The Internal Revenue Service (the “IRS”) has published guidance relating to Build America Bonds consisting of Notice 2009-26, *Build America Bonds and Direct Payment Subsidy Implementation*, as well as Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*, and Instructions for Form 8038-CP. This memorandum is based upon the published guidance, which is subject to change in the future. Such changes may require future modifications of procedures an issuer must follow to receive payments under Section 6431 of the Code. **For these reasons, it is very important for you and your tax advisors to keep abreast of developments in this area. We urge you to designate a specific staff person to keep abreast of developments in this area and to be responsible for maintaining records to demonstrate compliance with the requirements detailed in this memorandum and the factual information in the Certificate.**

Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*, is used by issuers of governmental bonds who elect to receive a direct payment from the Federal government equal to a percentage of the interest payments on Qualified Build America Bonds. Issuers must submit Forms 8038-CP to request credit payments payable under Section 6431 of the Code with respect to Qualified Build America Bonds. Before each filing of a Form 8038-CP, the Issuer should take reasonable steps to confirm the Bonds remain Qualified Build America Bonds.

Attached hereto as Exhibit “B” is a copy of the current Form 8038-CP, *Return for Credit Payments to Issuers of Qualified Bonds*, and the Instructions for Form 8038-CP. The Form 8038-CP is subject to change at any time. The Form 8038-CP is available from the IRS website.

For a fixed rate bond, a Form 8038-CP must be filed for each interest payment date no later than the date that is 45 days before the relevant interest payment date, but may not be submitted earlier than 90 days before the relevant interest payment date.

The Internal Revenue Service (the “IRS”) has not released guidance regarding the late filing of a Form 8038-CP. A late filing may preclude an issuer from receiving a credit payment with respect to the interest payment date to which the late-filed Form 8038-CP relates.

For a variable rate bond, an issuer must aggregate all credit payments on a quarterly basis and file a Form 8038-CP for reimbursements in arrears by a due date that is 45 days after the last interest payment date within the quarterly period for which reimbursement is being requested.

It is important that the Issuer have procedures in place to monitor the timely filing of each Form 8038-CP and the continued filing of the Form 8038-CP over the life of the Bonds. We call to your attention Section 4.12 of the Trust Indenture relating to the Bonds regarding certain filing requirements relating to Form 8038-CP. There is no current published guidance regarding the filing of Form 8038-CPs for a structure similar to the Bonds, whereby fixed rate bonds have been issued on a draw down basis and on which interest is paid monthly. We have discussed your situation with Mr. Carl Scott at the Internal Revenue Service, who is responsible for administering the rebate credit program for Qualified Build America Bonds. Mr. Scott has informally advised us that, for the purposes of filing Form 8038-CPs, the Issuer should treat the Bonds as variable rate bonds during the construction period and draw-down phase of the financing and file quarterly in arrears. Once the final Bonds have been drawn down, the Issuer may be able to commence the filing of additional Form 8038-CPs for fixed rate bonds in advance of interest payment dates; however, at this time the Issuer should anticipate filing the Form 8038-CP on a quarterly basis in arrears for the life of the Bonds. Further guidance on these matters may be forthcoming from the IRS, and it is critical for the Issuer to monitor such guidance to ensure that any updated procedures are followed relating to the filing of Form 8038-CPs in the future.

The IRS has stated that issuers should expect to receive requested payments within 45 days of the date that a processable Form 8038-CP is filed with the IRS. The IRS will send the payments to the address on file with the IRS (the "last known address") of the entity that is designated to receive the payments as provided on the Form 8038-CP. In the case of credit payments sent to a person other than the issuer (e.g., the trustee), the last known address is not necessarily the address the issuer provided on Form 8038-CP. An authorized party of the Issuer or the designated recipient can verify its address of record as provided in the Instructions for Form 8038-CP.

The IRS and the Treasury Department plan to actively pursue refining the credit payment procedures for Qualified Build America Bonds for 2010 and thereafter and plan to study the feasibility of moving these direct payment procedures to an electronic format. Therefore, it is important to keep in mind that these payment procedures are likely to change.

The IRS has stated that the credit payments for Qualified Build America Bonds under Section 6431 of the Code are payments that are treated as overpayments of tax. Among other things, this means that the amount of the payments may be offset by other amounts owed to Federal agencies.

### **Circular 230**

We are informing you of the following as required under Treas. Reg. §10.35 of Circular 30 concerning rules of practice before the Internal Revenue Service:

The advice contained in this memorandum is not intended or written by Eichner & Norris PLLC or any of its attorneys to be used, and it cannot be used by any taxpayer, including the Issuer, for the purpose of avoiding penalties that may be imposed on the taxpayer. Eichner & Norris PLLC imposes no restrictions or limitations on disclosing the content of this letter or of any details of the structure of the Bonds or on the tax treatment or tax structure of the Bonds and the use of proceeds thereof.

## Exhibit A

### BUILD AMERICA BOND TAX COMPLIANCE AND NON-ARBITRAGE CERTIFICATE

1. I, Tom R. Jensen, DO HEREBY CERTIFY that I am the duly elected, qualified and acting President of the Coulee Medical Foundation (the "Issuer"), and that I have all the corporate authority necessary to execute this Certificate on behalf of the Issuer.

THE UNDERSIGNED HEREBY FURTHER CERTIFIES for and on behalf of the Issuer as follows:

#### 1. General

1.1 This Certificate is being delivered for the benefit of the Issuer and Eichner & Norris PLLC, Bond Counsel, in order to assist the Issuer in complying with the requirements so that its \$23,165,000 aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized - Coulee Medical Center), Series 2009A (the "Bonds") are "qualified bonds" ("Qualified Build America Bonds") within the meaning of Section 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code").

1.2 I am familiar with the Bonds being issued and sold by the Issuer pursuant to a resolution adopted by the Board of the Issuer on September 30, 2009, as supplemented on October 6, 2009, and a Trust Indenture, dated as of October 1, 2009 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee").

1.3 The Bonds are being issued in order to finance the costs of the acquisition, construction and equipping of the Issuer's healthcare facilities (Coulee Medical Center) located in Grand Coulee, Washington (the "Project"), and to pay certain costs of issuance of the Bonds in an amount which does not exceed two percent of the par amount of the Bonds.

1.4 The Issuer has entered into a certain Financing Agreement, dated as of October 1, 2009 (the "Financing Agreement") among the Issuer, Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District No. 6 (the "District"), the Trustee and Red Mortgage Capital, Inc. (the "Lender"), pursuant to which the Issuer agrees to issue the Bonds and to apply the proceeds thereof for the purpose of financing the costs of the Project and paying certain costs of issuance of the Bonds.

1.5 To effect the financing of the Project, the Lender will originate a mortgage loan to the Issuer (the "Mortgage Loan"); the Mortgage Loan will be evidenced by the Issuer's promissory note (the "Mortgage Note") in favor of the Lender and secured by a leasehold deed of trust (the "Leasehold Mortgage") on the Project: the Mortgage Loan as originated by the Lender will be insured by the Federal Housing Administration (the "FHA"), an organizational unit within the United States Department of Housing and Urban Development ("HUD") pursuant to Section 242 of the National Housing Act of 1934, as amended (the "National Housing Act"); and, to provide security for the Bonds, the Trustee will use the proceeds of the Bonds to purchase from the Lender fully modified mortgage-backed securities (the "GNMA Securities") which will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("GNMA").

1.6 The undersigned has examined a completed copy of the Information Return for Tax Exempt Governmental Bond Issues (IRS Form 8038-G) of even date herewith filed pursuant to Section 149(e) of the Code and pursuant to IRS Notice 2009-26, *Build America Bonds and Direct Payment*

*Subsidy Implementation*, with the Internal Revenue Service Center, Ogden, Utah 84201, and, to the best of my knowledge, all information therein is true and correct as of the date of this Certificate.

1.7 The Bonds are being issued on a draw-down basis and are being sold, as and when drawn from time to time, to Red Capital Markets, Inc. (the “Underwriter”), pursuant to a Bond Purchase Agreement, dated October 6, 2009 (the “Bond Purchase Agreement”), between the Issuer and the Underwriter. The initial draw down of the Bonds is occurring on the date hereof and is in a principal amount equal to \$51,000.

## 2. Sources and Uses of Funds

2.1 The total sources and uses of the proceeds of the Bonds are set forth in Schedule I attached hereto. Such amounts include \$3,250,000.00 in equity from the Issuer being applied to finance certain costs of the Project which may not be “capital expenditures” as set forth below in Section 2 of this Certificate.

2.2 Eichner & Norris PLLC has informed us that no more than two percent of the sale proceeds of the Bonds may be used to pay the costs of issuance of the Bonds. Eichner & Norris PLLC has also informed us that the remaining proceeds from the Bonds must be allocated to “capital expenditures” (within the meaning of Treasury Regulation §1.150-1(b)). Under Treasury Regulation §1.150-1(b), a “capital expenditure” means any cost of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of placed in service under Treasury Regulation §1.150-2(c)) under general Federal income tax principles. Under Treasury Regulation §1.150-2(c) “placed in service” means, with respect to a facility, the date on which, based on all the facts and circumstances -- (1) the facility has reached a degree of completion which would permit its operation at substantially its design level; and (2) the facility is, in fact, in operation at such level.

2.3 Eichner & Norris PLLC has informed us that for the purpose of applying the “general Federal income tax principles” standard referenced above in Section 2.2, the Issuer should generally be treated as if it were a corporation subject to taxation under subchapter C of Chapter 1 of the Code. We have reviewed the Mortgage Loan budget, the overall sources and uses for the Project and the expected construction schedule for the Project with the Issuer’s internal finance department and with the Issuer’s auditors, and determined that the total amount of capital expenditures relating to the Project exceeds an amount equal to the sale proceeds of the Bonds, less allowable for costs of issuance on the Bonds. We acknowledge that to the extent that the construction of the Project results in capital expenditures which reduces the total capital expenditures below \$22,701,700, we will only draw Mortgage Loan proceeds such that the drawn down Bonds are equal to the sum of the actual capital expenditures incurred with the Project, plus an amount not to exceed two percent of the par amount of such drawn down Bonds for costs of issuance relating thereto.

## 3. Overissuance Test

3.1 The reasonably expected “proceeds” of the Bonds means the sum of (a) the “sale proceeds” of the Bonds (defined in Treasury Regulation § 1.148-1(b) as any amounts actually or constructively received from the sale of the Bonds, including amounts used to pay the Underwriter’s fee or discount and post-issuance accrued interest), plus (b) any “investment proceeds” of the Bonds (as defined in Treasury Regulation § 1.148-1(b)), plus (c) any “transferred proceeds” of the Bonds (as defined in Treasury Regulation § 1.148-9).

3.2 No portion of the proceeds of the Bonds is being used to pay principal or interest on any other series of obligations, so there are no transferred proceeds of the Bonds.

3.3 The reasonably expected proceeds of the Bonds (i) will not exceed by more than a minor portion the amount necessary for the governmental purposes of the Bonds described in paragraph 1.3 of this Certificate and (ii) are not in excess of the amount of sale proceeds to be allocated to expenditures for the governmental purposes of the issue.

#### 4. Issue Price, Disbursements of Funds and Schedule of Expenditures

4.1 The Bonds are being sold to the Underwriter for sale to the public at an “issue price” of \$23,165,000 (which represents the principal amount of the Bonds). Although the Bonds shall be issued as draw down bonds, the Underwriter has committed in the Bond Purchase Agreement to purchase the Bonds which are drawn down from time to time at a price of par, plus pre-issuance accrued interest from October 1, 2009 (with respect to Bonds which are drawn down prior to December 20, 2009) or the twentieth day of the calendar month preceding the month in which any such Bonds are drawn down (with respect to Bonds which are drawn down on or after December 20, 2009). Based upon the representations of the Underwriter made in the certificate, attached hereto as Exhibit A, such issue price represents the first price at which a substantial portion (at least 10%) of the Bonds of each maturity were actually sold to the public (excluding sales to any bond house, broker or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering. No portion of the Bonds was sold for property other than cash. The issue price of the Bonds did not exceed the fair market value thereof as of the date of sale thereof.

4.2 The sale proceeds of the Bonds are expected to be applied as shown on Schedule I. No portion of the sale proceeds of the Bonds is expected as of the date of this certificate to be invested in any guaranteed investment contract or other similar agreement.

4.3 The Issuer does not expect there to be any investment earnings on the Bonds because the Bonds are being issued as draw down bonds; however, the Issuer intends that the moneys on deposit in the Acquisition Fund established pursuant to the Indenture (the “Acquisition Fund”) and the investment earnings thereon qualify for the three-year temporary period in Treasury Regulation § 1.148-2(e)(2). As of the date of this Certificate, the Issuer has incurred a substantial binding obligation to a third party or parties which is not subject to contingencies within the Issuer’s, or a related party’s, control to expend at least five percent of the sale proceeds of the Bonds on the renovation of the Project.

4.4 Work on the Project and the allocation of the sale proceeds of the Bonds to expenditures therefor are reasonably expected to proceed with due diligence to completion. The Issuer reasonably expects that at least 85% of the sale proceeds of the Bonds will be allocated to expenditures for the Project within three years from the date of this Certificate as more fully set forth on Schedule 2.

4.5 Any moneys remaining in the Acquisition Fund relating to Bonds proceeds following the completion of construction of the Project and the payment of all costs in connection therewith (including the payment of a portion of the costs of issuance of the Bonds not to exceed two percent of the par amount of the Bonds drawn to date) will be paid into the Bond Fund created under the Indenture (the “Bond Fund”) and used (i) to redeem Bonds on the first mandatory sinking fund redemption date permitted by the Indenture or (ii) to redeem Bonds pursuant to the special mandatory redemption provisions under the Indenture. Prior to such application or use, or at any time more than three years after the date hereof the Borrower agrees that moneys remaining in the Acquisition Fund shall be invested at a “yield” (computed in accordance with “Treasury Regulation § 1.148-5) not in excess of the yield on the Bonds (computed in accordance with Treasury Regulation § 1.148-4). In computing the yield on the Bonds, the Issuer acknowledges that it must reduce the amount paid on the Bonds by the amount of credit payments received pursuant to Section 6431 of the Code.

4.6 Except for certain “Preliminary Expenditures” which are also capital expenditures under Section 2 of this Certificate, no portion of the cost of the acquisition and renovation of the Project includes reimbursement to the Issuer for any costs of the acquisition and rehabilitation of any portion of the Project paid by the Issuer prior to August 1, 2009, the 60th day prior to September 30, 2009, respectively, the date on which the Issuer under Treasury Regulation § 1.150-1(a)(2), adopted a resolution declaring its official intent to finance such components of the Project. Preliminary Expenditures means expenditures which do not exceed 20% of the issue price of the Bonds and that are also architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that are incurred prior to the commencement of the acquisition, construction or rehabilitation of the Project, other than land acquisition, site preparation, and similar costs incident to the commencement of construction.

4.7 No component of the Project financed or reimbursed with proceeds of the Bonds was placed in service by the Issuer prior to March 30, 2008, the date 18 months prior to the date of this Certification.

## 5. Qualified Guaranty

5.1 The Issuer reasonably expects, as of the date hereof, that the present value of the FHA mortgage insurance premium of 50 basis points per year on the outstanding amount of the Mortgage Loan and the GNMA credit enhancement fee of 13 basis points per year on the outstanding amount of the Mortgage Loan (together the “Credit Enhancement”) is less than the present value of the expected interest rate savings on the Bonds as a result of obtaining the Credit Enhancement, computed by using the reasonably expected yield on the Bonds, determined with regard to the Credit Enhancement, as the discount rate. The Underwriter has delivered its certification attached hereto Exhibit B, dated the date of this Certification, confirming this expectation.

5.2 The insurance provided by FHA and the GNMA Securities guarantee all payments of principal and interest on, the Mortgage Loan and the Bonds on their scheduled due dates. This arrangement shifts substantially all of the credit and liquidity risk for all of the payments on the Mortgage Loan and the Bonds to FHA and GNMA.

5.3 FHA and GNMA are not co-obligors under the Mortgage Note or the Bonds, and do not expect to make any payments with respect to the Mortgage Loan or the Bonds other than under the FHA insurance or the GNMA Securities for which it will not be reimbursed immediately.

5.4 To the knowledge of the Borrower, neither FHA or GNMA nor any related party to any of the foregoing owns any interest in the Project or uses or will use, directly or indirectly, all or any portion of the Project. FHA and GNMA, together with any related parties, will not use more than ten percent of the proceeds of the Bonds, or a portion of the Project equal in value to more than ten percent of the total value thereof.

5.5 The fees related to obtaining the Credit Enhancement do not exceed a reasonable arms-length charge for the transfer of credit and liquidity risk. The fees for obtaining the Credit Enhancement do not include any payment for any direct or indirect services other than the transfer of credit risk. The fees for the Credit Enhancement:

(a) do not include payment for the cost of underwriting the Bonds or for the cost of insurance for casualty to property financed thereby; and

(b) are not refundable.

## 6. Pledged and Replacement Proceeds

6.1 The Bond Fund established under the Indenture is a “bona fide debt service fund” within the meaning of Section 148 of the Code and Treasury Regulation § 1.148-1(b) in that:

(a) it is used primarily to achieve a proper matching of revenues with principal and interest payments on the Bonds within each bond year; and

(b) it is to be depleted at least once each bond year, except for a reasonable carryover amount not to exceed the greater of (a) the earnings on such fund for the immediately preceding bond year, or (b) 1/12th of the principal and interest payments on the Bonds for the immediately preceding bond year.

6.2 Except for the Bond Fund established under the Indenture, no “sinking fund” or “pledged fund” (as such terms are defined in Treasury Regulation § 1.148-1(c)(2)), debt service fund, redemption fund, reserve fund, revolving fund or any similar fund or account has been or is expected to be created or established by the Issuer or by any other person or entity with moneys or property derived from the Borrower or any related party from which the principal of, redemption premium (if any) or interest on the Bonds or payments to FHA with respect to the Mortgage Loan, as originated by the Lender and insured by FHA, or payments to GNMA with respect to the GNMA Securities are reasonably expected to be paid, directly or indirectly.

6.3 The Bonds will not be outstanding longer than is reasonably necessary for the governmental purposes of the issue. Based upon the type of property comprising the Project, the design life specifications of the Project, the experience of the Issuer in operating the Project and other health care facilities similar to the Project and the experience of others known to the Issuer operating health care facilities similar to the Project, it is expected the Project as placed in service will have a weighted average economic useful life of at least 20 years from the date hereof. The weighted average maturity of the Bonds is 16.821 years and does not exceed 120% of the reasonably expected weighted average economic life of the Project being financed with the Bonds. The proceeds of the Bonds are not expected to be used directly or indirectly to replace funds which were or are to be used directly or indirectly to acquire “high yielding investments” within the meaning of Section 148(b) of the Code. We acknowledge that Eichner & Norris PLLC has advised us to keep records documenting the actual assets financed with the proceeds of the Bonds, as well as their actual placed in service dates and expected economic lives until the date which is four years following the retirement in full of all of the outstanding Bonds.

6.4 The Issuer has not entered into any agreement obligating the Borrower to maintain any amount at a particular level for the benefit of the owners of the Bonds or the Lender.

6.5 No portion of the proceeds of the Bonds is being used to establish, directly or indirectly, any working capital reserve for the Issuer or to finance any expenditures which are not capital expenditures (other than certain costs of issuance relating to the Bonds) as more fully set forth in Section 2 of this Certificate.

6.6 Except for the GNMA Securities, no stock or other “security” as defined in Section 165(g)(2)(A) and (B) of the Code, annuity contract, “investment-type property” as described or defined in Section 148(d)(2)(D) of the Code and Treasury Regulation § 1.148-1(d) or any other obligation (other than an obligation described in Section 103(a) of the Internal Revenue Code of 1954, as amended, or Section 103(a) of the Code which is not a “specified private activity bond” within the meaning of Section 57(a)(5)(C) of the Code), will be pledged as security for the payment of (a) principal of, redemption premium (if any) and interest on the Bonds, or (b) any amounts due to FHA with respect to payments

made under the Mortgage Loan, as originated by the Lender and insured by FHA or due to GNMA with respect to the GNMA Securities.

6.7 No portion of the Bonds is being applied to make a prepayment for property or services, and no hedge or similar contract has been or is being entered into in connection with the Bonds that contains a significant investment element, or which provides for the provider of such hedge or similar contract to make a payment on a later date.

#### 7. Composite Issues, Issue Date

7.1 There are no obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States, or any political subdivision of any of the foregoing, or of the District of Columbia, which:

- (a) have been or are to be sold less than 15 days prior to or after the date of sale of the Bonds;
- (b) have been or are to be sold pursuant to the same plan of financing with the Bonds; and
- (c) are reasonably expected to be paid from substantially the same source of funds as the Bonds, determined without regard to guarantees from unrelated parties.

7.2 The Bonds are being issued pursuant to a draw-down loan and are treated as part of a single issue as set forth in Treasury Regulation § 1.150-1(c)(4). The initial draw of the Mortgage Loan relating to the Bonds is occurring on the date hereof (the "Issue Date") in an amount equal to \$51,000.00, which amount exceeds the lesser of \$50,000 or five percent of the Issue Price of the Bonds as set forth in Section 4 of this Certificate.

#### 8. Private Activity Bond Test

8.1 No portion of the proceeds of the Bonds or the Project is to be used, directly or indirectly, in a trade or business carried on by any person other than a governmental unit (other than use as a member of the general public) (a "private business use"), and no portion of the principal or interest on the Bonds is, under the Indenture, the Financing Agreement, the Resolution or pursuant to any underlying agreement, directly or indirectly (a) secured by any property used or to be used in a private business use or payments in respect of such property, or (b) to be derived from payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a private business use.

8.2 There is no person other than a governmental unit who or which has any contract, lease or other special legal entitlements to use any of the Project.

8.3 The Issuer and the District each hereby represent that they will not take any action that would cause the Issuer not to be an issuer acting on behalf of the District in compliance with the requirements of Revenue Ruling 63-20 and Revenue Procedure 82-26 promulgated by the Internal Revenue Service. The District agrees to take any reasonable action necessary, including the amendment of documents, to maintain such status of the Issuer.

8.4 The Issuer engages in activities that are essentially public in nature and are those permitted under the general nonprofit corporation law of the State of Washington.

8.5 The Project is located within the geographical boundaries of the District on whose behalf the Bonds are being issued.

8.6 Corporate income of the Issuer will not and does not inure to any private person.

8.7 The District will have exclusive beneficial possession and use of the Project equivalent to 95 percent or more of its fair rental value for the life of the Bonds.

8.8 The District will obtain full legal title to the Project from the Issuer upon retirement of the Bonds.

8.9 The Issuer will not issue any additional bonds for any other entity other than the District and unencumbered fee title to the Project will vest solely with the District when the Bonds are Discharged (as defined in Revenue Procedure 82-26).

8.10 All of the original proceeds and investment proceeds of the Bonds will be used (a) to finance costs that a taxpayer must charge to the property's capital account, may elect to charge to the property's capital account instead of deducting, or may elect to deduct instead of charging to the property's capital account or (b) to fund a reasonably required reserve fund within the meaning of section 103(c)(4) of the Code.

8.11 The District will obtain and accept, upon discharge of the Bonds, unencumbered fee title and exclusive possession and use of the Project, including any additions to the Project, without demand or further action on its part.

8.12 The proceeds of fire or other casualty insurance policies received in connection with damage to or destruction of the Project, including any additions to the Project, will, subject to the claims of the FHA, HUD and the Bondholders, (a) be used to reconstruct the Project, regardless of whether the insurance proceeds are sufficient to pay for the reconstruction, or (b) be remitted to the District.

8.13 There is no lease, management contract, incentive payment contract, research agreement, take or pay or output contract, or similar agreement with respect to the Project or any of the products or services provided at, or with respect to, the Project or any agreement which conveys priority rights to the use or capacity of the Project.

8.14 No portion of the proceeds of the Bonds is being used (a) to finance or refinance any "output facility" (within the meaning of Section 141(b)(4) of the Code), (b) to make or to finance loans to persons other than governmental units or (c) directly or indirectly, for the acquisition by a governmental unit of nongovernmental output property (within the meaning of Section 141(d) of the Code).

8.15 The Issuer does not expect as of the date of this Certificate that the proceeds of the Bonds or the Project will be used to make or finance loans to persons other than governmental persons.

8.16 The Issuer acknowledges if it takes any "deliberate action" (within the meaning of Treasury Regulation Section 1.141-2(d)) which would cause either the private business tests or the private loan financing test to be met (or cause any of the representations in this Section 8 of this Certificate to be untrue), that it may jeopardize the status of the Bonds as Qualified Build America Bonds, and specifically, the eligibility of the Bonds to receive the refundable credit available to Qualified Build America Bonds. Furthermore, the Issuer acknowledges that Eichner & Norris PLLC has advised the Issuer to seek legal advice from tax professionals knowledgeable with the requirements of Qualified Build America Bonds prior to entering into a management agreement, hospital based physician contract or other

similar agreement with respect to all or any portion of the facilities financed or refinanced with the Bonds, or otherwise disposing of or transferring control of all or any portion of the facilities financed or refinanced with the proceeds of the safe of the Bonds.

## 9. Hedge Bonds

9.1 The Issuer reasonably expects that (a) at least 85% of the “spendable proceeds” of the Bonds will be used to carry out the governmental purposes for the issue within the three year period from the date hereof, and (b) not more than 50% of the proceeds of the Bonds will be invested in “nonpurpose; investments” (as defined in Treasury Regulation § 1.148-1(b)) having a substantially guaranteed yield for four years or more.

9.2 The Bonds are being issued for the significant governmental purposes set forth in Section 1.3 hereof, and are not being issued to hedge against future increases in interest rates.

## 10. Rebate to the United States

10.1 The Issuer hereby acknowledges that it is required, unless the “gross proceeds” (as defined in Treasury Regulation §1.148-1(b)) of the Bonds are expended or allocated to expenditures for the governmental purposes for which the Bonds are issued in accordance with one of the spending exceptions to the rebate requirement in Treasury Regulation §1.148-7, each five years beginning on the Issue Date of the Bonds, or on such other date as may be permitted by applicable temporary, proposed or final Treasury Regulations (each such date a “computation date”) to compute the Rebate Amount (as described in Section 11.2 of this Certificate) with respect to the Bonds and within 60 days thereafter make installment payments to the United States Treasury in an amount that, when added to the future value, as of the computation date, of previous rebate payments made with respect to the Bonds, equals at least 90% of the Rebate Amount with respect to the Bonds as of such date. The final installment (the “Final Rebate”) shall be paid not later than the later of (a) the date 60 days after the final computation date or (b) if the Bonds are retired within three years after the date of issuance thereof, within 60 days after the final computation date of the Rebate Amount which computation date need not occur before the end of eight months after the date of issuance of the Bonds, and shall be in an amount sufficient to pay all of the Rebate Amount as of the final computation date.

10.2 Generally, the Rebate Amount with respect to the Bonds as of any computation date is the excess of (a) the future value as of the date of computation of all nonpurpose receipts with respect to the Bonds: over (b) the future value as of the date of computation of all payments on nonpurpose investments with respect to the Bonds, computed as required by Treasury Regulation § 1.148-3(c).

10.3 For purposes of determining the Rebate Amount, (i) any amount earned on investments in a bona fide debt service fund shall not be taken into account and (ii) amounts paid on the Bonds are reduced by the amount of credit payments received pursuant to Section 6431 of the Code for purposes of calculating the yield on the Bonds.

10.4 Each payment of the Rebate Amount required under the provisions of this Certificate and Section 148(f) of the Code shall be (a) filed with the internal Revenue Service Center at the place or places designated by the Commissioner of Internal Revenue, presently Ogden, Utah 84201, and (b) accompanied by a copy of the form provided by the Commissioner for such purpose, presently IRS Form 8038-T, except as may be otherwise provided by applicable Treasury Regulations.

10.5 The Issuer agrees to maintain (i) records and statements with respect to the accounts and funds established under the Indenture, and as to the use of the proceeds of the Bonds and the cost of the

Project, and (ii) copies of all computations of the Rebate Amount and the Issuer's returns filed pursuant to paragraph 10.4 above for a period of not less than six years after the date of payment of the last payment on the Bonds.

## 11. Miscellaneous

11.1 The Issuer has no present expectation or intention of selling, leasing or otherwise disposing of any portion of its ownership in the Project prior to the last maturity of the Bonds.

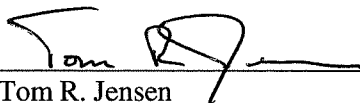
11.2 The Bonds are not and will not be "federally guaranteed" within the meaning of Section 149(b) of the Code.

11.3 No portion of the Bonds is being used, directly or indirectly, in connection with a transaction or a series of transactions that attempts to circumvent the provisions of Section 148 of the Code or the proposed, temporary or final Treasury Regulations applicable thereto (i) enabling the Issuer to exploit the difference between tax-exempt (meaning the net interest rate on the Bonds after factoring in the Qualified Build America Bond subsidy) and taxable interest rates to gain a material financial advantage and (ii) increasing the burden on the market for (i) tax exempt obligations or (ii) Qualified Build America Bonds. The Bonds are not being issued sooner and will not remain outstanding longer than is reasonably necessary for the purposes for which the Bonds are issued.

11.4 No portion of the Bonds is reasonably expected to be used, nor will any of such proceeds intentionally be used, directly or indirectly to make or finance loans to two or more ultimate borrowers within the meaning of Section 149(f)(4) of the Code.

IN WITNESS WHEREOF, this Certificate has been executed on behalf of the Issuer and the District by the undersigned this 29th day of October, 2009.

COULEE MEDICAL FOUNDATION

By:   
Name: Tom R. Jensen  
Title: President

DOUGLAS, GRANT, LINCOLN & OKANOGAN  
COUNTIES PUBLIC HOSPITAL DISTRICT NO. 6

By:   
Name: Tom R. Jensen  
Title: Superintendent/CEO

Appendices, exhibits and schedules:

Schedule 1 - Sources and Uses of Funds

Schedule 2 - Drawdown Schedule for use of Bond Proceeds

Exhibit A - Form of Certificate as to Issue Price

Exhibit B - Form of Certificate as to Certain Matters relating to Credit Enhancement

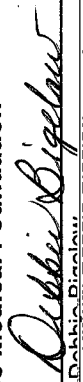
**Schedule 1**  
**Sources and Uses of Funds**

**Schedule 2**

**Drawdown Schedule for use of Bond Proceeds**

Item	Total	Red Capital Markets	Red Mortgage Capital	Coulee Community Hospital	Title Company	Trustee - Bond Fund	Trustee - Acquisition Fund	Trustee - Cost of Issuance Fund
<b>Wednesday, October 28, 2009</b>								
1. Coulee Community Hospital Wires Hospital Equity to Title Company	2,975,725.31			(2,975,725.31)	2,975,725.31			
2. Title Company wires Costs of Issuance and Initial Bond Deposit To Trustee								
Initial Deposit to Bond Fund	183,000.00							
Costs of Issuance	426,738.00							
Less: amount prepaid to Stamper Rubens	(100,000.00)							
Total	509,738.00				(509,738.00)	183,000.00		326,738.00
3. Red Capital Markets Wires Initial Bond Proceeds to Trustee	51,257.83	(51,257.83)						
4. RMC Wires Mortgage Proceeds to Title Company	666,468.69							
Less: RMC Processing Fee & Miscellaneous, net \$20,000 Deposit	(299,563.00)							
1st Year MIP	(115,825.00)							
GNMA Placement Fee	(4,900.00)							
FHA Application/Exam Fee	(25,920.00)							
Offsite Improvements Escrow	(42,504.00)							
Net Wire	177,756.69		(177,756.69)		177,756.69			
<b>Thursday, October 29, 2009</b>								
<b>Deal Closed</b>								
5. Trustee Pays Costs of Issuance	220,238.00							
Underwriter Fees & Expenses (Red Capital Markets, Inc.)	100,000.00							
Underwriter's Counsel & Bond Counsel (Eichner & Norris)	6,500.00							
Trustee Acceptance Fees (includes legal)	326,738.00							(326,738.00)
Total	1,922,351.56							
6. Title Company Wires to Red Mortgage Capital	1,922,351.56		1,922,351.56		(1,922,351.56)			
Initial Deposit to Mortgage Reserve Fund								
Total	1,922,351.56		1,922,351.56		(1,922,351.56)			
7. Title Company pays:								
Borrower Legal (Stamper Rubens)	29,791.34							
Lender Legal (Krooth & Altman)	85,000.00							
Unpaid Construction Costs (Various)	555,922.71							
Graham Construction	24,360.08							
KDF Architect Fees	650.01							
Grainger	5,983.50							
ALLWEST	701,707.64				(701,707.64)			
Total	1,922,351.56							
8. Balance on Closing Date		(51,257.83)	1,744,594.87	(2,975,725.31)	19,684.80	183,000.00	51,257.83	-

**BORROWER:**  
**Coulee Medical Foundation**

By:   
 Name: Debbie Bigelow

Title: Director, Treasurer and Secretary

**EXHIBIT A**

**CERTIFICATE AS TO ISSUE PRICE, YIELD AND WEIGHTED AVERAGE MATURITY**

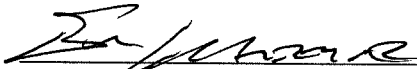
The undersigned officer of Red Capital Markets, Inc. (the "Underwriter"), as underwriter for the \$23,165,000 aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized-Coulee Medical Center), Series 2009A (the "Bonds"), DOES HEREBY CERTIFY as follows:

1. The Underwriter has offered the Bonds of each maturity to the public in a bona fide public offering at the initial offering prices or yields set forth on the inside cover of the Official Statement, dated October 15, 2009 (the "Official Statement"), relating to the Bonds.
2. A substantial portion (at least 10%) of each maturity of the Bonds was actually sold to the public (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the issue price or yield set forth on the inside cover page of the Official Statement.
3. The price paid for the Bonds as shown on the cover page of the Official Statement did not exceed the fair market value of such Bonds as of the sale date (October 29, 2009).
4. No Bonds were sold in exchange for property other than cash.
5. For purposes of the 8038-G, the yield of the Bonds (after giving effect to the expected subsidy payment from the U.S. Treasury) is 4.8843% and the weighted average maturity of the Bonds is 16.821 years.

Witness my hand this 29th day of October, 2009.

**RED CAPITAL MARKETS, INC.**

By:

  
Eric J. Mestemaker, Director

## EXHIBIT B

### CERTIFICATE OF THE UNDERWRITER AS TO THE FEES FOR CREDIT ENHANCEMENT AND AS TO THE YIELD ON THE BONDS

The undersigned officer of Red Capital Markets, Inc. (the "Underwriter"), as underwriter for the \$23,165,000 aggregate principal amount of Taxable Revenue Build America Bonds (Direct Pay) (GNMA Collateralized-Coulee Medical Center), Series 2009A (the "Bonds"), DOES HEREBY CERTIFY as follows:

1. On October 6, 2009, the undersigned agreed to purchase the Bonds from the Coulee Medical Foundation (the "Issuer") on the date hereof.
2. Pursuant to a Financing Agreement, dated as of October 1, 2009 (the "Financing Agreement"), by and among the Issuer, Douglas, Grant, Lincoln & Okanogan Counties Public Hospital District No. 6 (the "District"), U.S. Bank National Association, as trustee, and Red Mortgage Capital, Inc. (the "Lender"), the Issuer will issue the Bonds from time to time and the Lender will originate a mortgage loan to the Issuer (the "Mortgage Loan"), which Mortgage Loan will be insured by the Federal Housing Administration ("FHA").
3. As of the date hereof, the present value of the FHA mortgage insurance premium of 50 basis points per year on the outstanding amount of the Mortgage Loan and the GNMA credit enhancement fee of 13 basis points per year on the outstanding amount of the Mortgage Loan (together, the "Credit Enhancement") is less than the present value of the expected interest rate savings on the Bonds as a result of the Credit Enhancement, computed by using the yield on the Bonds (determined with regard to the Credit Enhancement) as the discount rate.
4. In view of the undersigned, the fees related to the Credit Enhancement do not exceed a reasonable, arms' length charge for the transfer of credit and liquidity risk on the Bonds.
5. The yield on the Bonds after giving effect to the Credit Enhancement is 4.8843% percent.

This the 29th day of October, 2009.

**RED CAPITAL MARKETS, INC.**

By: 

Name: Eric J. Mestemaker

Title: Director

**Exhibit B**

**ATTACH IRS FORM 8038-CP**