Date: September 8, 2010

Subject: History of Mark Reed Issuance of LTGO Bonds

By: Ron Hulscher

The first limited tax general obligation bonds (LTGO Bonds) were issued by Mark Reed on May 1, 1995. The issue was $1,000,000 with a payback period of 15 years.

On April 1, 2001 Mark Reed issued $1,000,000 of LTGO Bonds with a payback period of 13 years. When this issue was made there were still $760,000 owing on the first issue. Therefore with this new issue the total LTGO Bonds outstanding were $1,760,000.

On February 15, 2004 Mark Reed made another issue of $1,000,000 of LTGO Bonds with a payback period of 9 years. The prior issues had $1,510,000 outstanding. Therefore with the new issue the LTGO Bonds outstanding on February 15, 2004 tallied to $2,510,000.

Consider the following condition of Mark Reed in February 2004. In the prior year, 2003, Mark Reed recorded an operating loss of $1,121,000. The net value of the property, building and equipment as of February 2004 was $416,000. The State Auditor at the end of 2004 stated that the District's funds were insufficient for its operation. In February 2004 the taxpayers were at risk to pay $2,510,000 if the hospital closed. The Board and hospital issued the forgoing bonds to continue the operation of Mark Reed. The continuing existence was obviously precarious. However there was no public vote regarding issuance of the LTGO Bonds.

The proposed USDA financing for the new hospital will include $9,505,000 of LTGO Bonds. When these bonds are issued Mark Reed will have $465,000 outstanding on the 2001 and 2004 Bonds. The total debt will be comprised of $9,965,000 of LTGO Bonds, $9,505,000 of Revenue Bonds, $35,000 remaining on the CT Scanner and the final $350,000 owed on the land and due to be paid in October 2014. The condition of the District will be substantially improved compared to 2004 when $2,510,000 was outstanding. The net value of the land, buildings and equipment will be $22,063,000. The operating income in 2012 is projected by the feasibility CPAs to be $647,000. The District will have had healthy operating income for five consecutive years. The potential risk to the taxpayers will be much less than existed in 2004 when the District Commissioners had raised the outstanding debt to $2,510,000.