

FRYBERGER

— LAW FIRM —

MEMORANDUM

TO: City of Owatonna (the “City”)

FROM: Mia E. Thibodeau

DATE: April 28, 2021

RE: Summary of Benedictine Transaction

The Benedictine Health System d/b/a Benedictine (“Benedictine”), is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). The Benedictine system is composed of Benedictine, the Benedictine Health System Foundation, and 26 wholly-owned subsidiaries (“Member Organizations”) that operate senior health care and senior living facilities in 28 locations in the states of Minnesota, Wisconsin, Missouri, North Dakota, and Illinois. Eighteen of the 28 locations are in Minnesota. Benedictine also has a partial ownership interest in “Ministry Partner” facilities in White Bear Lake, Minnesota; St. Paul, Minnesota; St. Louis, Missouri; and Lisle, Illinois. All Member Organizations and Ministry Partner facilities are managed by Benedictine. Benedictine and its Member Organizations and Ministry Partners employ over 5,000 people, with an annual payroll (including benefits) in excess of \$175,000,000.

Benedictine is in the process of restructuring the outstanding indebtedness of the Member Organizations and affiliates, which is comprised, primarily, of tax-exempt bonds and notes. Benedictine is working with H.J. Sims to structure and place a financing to refund the Minnesota bonds and notes, pay the cost of capital improvements to the facilities listed on Exhibit A, and finance costs of issuance, in a public offering of tax-exempt bonds to be issued by the Duluth Economic Development Authority (“DEDA”) in an estimated principal amount of not to exceed \$150,000,000 (the “2021 Bonds”). Approximately 22 series of bonds and notes issued by 13 different issuers, are proposed to be refunded, including the City’s Nursing Facility Revenue Refunding Note, Series 2017 (the “Prior Bonds”) as further described in the resolution provided to the City for consideration. Benedictine will be forming an obligated group in conjunction with the refinancing which will be comprised of the Member Organizations and affiliates that own the facilities to be refinanced. Benedictine is the sole corporate member of each of the owner-affiliates.

Benedictine has requested that the Minnesota Agricultural and Economic Development Board (the “Ag Board”) hold a hearing to allow the 2021 Bonds to comply with the public approval requirements of Section 147(f) of the Code (the “TEFRA Hearing”), which requires that a governmental unit with jurisdiction over the area in which any facility financed or refinanced is located must hold a public hearing and provide its approval of the issuance of such bonds. Since all the facilities to be financed and refinanced by the 2021 Bonds are located in Minnesota, a hearing by the Ag Board meets this requirement. If the Ag Board did not hold the public hearing, Benedictine would need to request that hearings be held in 13 different jurisdictions.

FRYBERGER, BUCHANAN, SMITH & FREDERICK, P.A.

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ST. PAUL
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The jurisdictions and campus names are listed on the attachment to this memo. DEDA will conduct a public hearing on the issuance of the 2021 Bonds which will meet the public hearing requirements for facilities located in Duluth.

By having the Ag Board hold the TEFRA Hearing, it will allow the 2021 Bonds to be issued in a more cost-effective manner, with the benefit passed along to each project financed or refinanced.

As described in the resolution, Minnesota law provides that DEDA may issue the 2021 Bonds to refund the Prior Bonds only with the consent of the Prior Bonds Issuer, which is the City. Further, because the Project (as defined in the Resolution) is located in the City, the City Council must consent to the issuance by DEDA of the 2021 Bonds allocated to financing or refinancing the Project.

We respectfully request that you provide the consents described in the resolution and thank you in advance.

ATTACHMENT

Benedictine Campuses and Locations in the Financing

| Location | Facility Name | Legal Name |
|-----------------|---|--|
| Ada | Benedictine Living Community – Ada | Bridges Care Center |
| Byron | Benedictine Living Community – Byron | Madonna Summit of Byron, LLC f/k/a Living Services Foundation/Byron, LLC |
| Crookston | Benedictine Living Community – Crookston | Villa St. Vincent |
| Duluth | Benedictine Living Community – Duluth | Benedictine Health Centers |
| Hastings | Benedictine Living Community – Regina | Regina Senior Living |
| Minneapolis | Benedictine Living Community – Minneapolis | City of Lakes Care Center |
| New Brighton | Benedictine Living Community – New Brighton | Benedictine Care Centers |
| Osseo | Benedictine Living Community – Osseo | Steeple Pointe Senior Living Community |
| Owatonna | Benedictine Living Community – Owatonna | Koda Living Community f/k/a Steele County Communities for a Lifetime, Inc. |
| Red Wing | Benedictine Living Community – Red Wing | Benedictine Health Centers |
| Rochester | Benedictine Living Community – Rochester | Madonna Meadows of Rochester and Madonna Towers of Rochester, Inc. |
| Shakopee | Benedictine Living Community – Shakopee | St. Gertrude’s Health Center |
| Winona | Benedictine Living Community – Winona | Saint Anne of Winona |

RESOLUTION NO. 57-21

RESOLUTION CONSENTING TO THE ISSUANCE OF REVENUE BONDS BY THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY

BE IT RESOLVED by the City Council of the City of Owatonna, Minnesota, as follows:

Section 1. Definitions. The capitalized terms used in this resolution have the meanings assigned below:

2021 Bonds: means DEDA's revenue bonds, proposed to be issued in one or more series in an aggregate maximum principal amount of \$150,000,000.

Authorized Officers: means the Mayor and Administrator/City Clerk of the City.

Bond Counsel to DEDA: means Fryberger, Buchanan, Smith & Frederick, P.A.

Borrower: means Koda Living Community, f/k/a Steele County Communities for a Lifetime, Inc.

Benedictine: means Benedictine Health System d/b/a Benedictine, the sole member of the Borrower.

City: means the City of Owatonna, Minnesota.

City Council: means the governing body of the City.

DEDA: means the Duluth Economic Development Authority, Minnesota.

Host Municipalities: means the Cities of Ada, Byron, Crookston, Hastings, Minneapolis, New Brighton, Osseo, Owatonna, Red Wing, Rochester and Shakopee, Minnesota, DEDA and the Port Authority of Winona.

Prior Bonds: means the Nursing Facility Revenue Refunding Note (Steele County Communities for a Lifetime Koda Living Community Project), Series 2017.

Prior Bonds Issuer: means the City.

Project: means the constructing, improving, renovating, furnishing and equipping senior housing and health care facilities at 2255 30th Street NW, Owatonna, Minnesota, by the Borrower.

Section 2. General Recitals.

A. The Prior Bonds Issuer previously issued the Prior Bonds to finance or refinance, as applicable, the Project.

B. The Project is owned and operated by the Borrower as a health care facility. Through its operation of the Project, the Borrower provides health care services available to residents within the jurisdiction of the City and in the surrounding area.

C. We have been informed by Bond Counsel to DEDA that Benedictine has requested that DEDA issue the 2021 Bonds to refund the Prior Bonds and other outstanding obligations incurred by affiliates of Benedictine with respect to senior living facilities located in the jurisdictions of the Host Municipalities.

D. Bond Counsel to DEDA has informed the City that (i) Minnesota Statutes, Section 469.155, subdivision 12 provides that DEDA may issue the 2021 Bonds to refund the Prior Bonds only with the consent of the Prior Bonds Issuer, which is the City; and (ii) since the Project is located within its jurisdiction, Minnesota Statutes, Section 471.656, subdivision 2(2) requires the City Council to consent by resolution to the issuance by DEDA of any portion of the 2021 Bonds allocable to financing or refinancing the Project.

Section 3. Consent. The City consents to the refunding of the Prior Bonds by DEDA, waives any notice of redemption required to be provided to the City, agrees that all documents for the refunding of the Prior Bonds, including any notices and termination documents, may be given and executed without further consent, action or execution by the City and authorizes Benedictine and its officers and agents to take all actions and execute all documents for the refunding and redemption of the Prior Bonds, including any required notices and termination documents. The City consents to the issuance by DEDA of the 2021 Bonds to finance and/or refinance the Project.

Section 4. Authorization to Staff. The Authorized Officers and other officers of the City (individually or with one or more other officers of the City or their designees) are authorized and directed to (a) provide a certified copy of this resolution to DEDA or its representatives, along with all proceedings and records of the City relating to the subject matter of this resolution, and any other affidavits and certificates required by DEDA to show the facts relating to the City respecting the subject matter of this resolution, as the facts appear from the books and records in the City's custody and control or as otherwise known to them; and (b) in connection with the Project, the issuance of the 2021 Bonds and the refunding of the Prior Bonds, and on any future date in connection with the 2021 Bonds, take any other action, including holding hearings, or execute other documents, including approvals, consents and certificates, required or deemed appropriate on the request of DEDA or its agents for performance of the City in connection with the subject matter of this resolution.

Passed and adopted this _____ day of _____, 2021, with the following vote:

Aye____; No____; Absent____.

Approved and signed this _____ day of _____, 2021.

ATTEST:

Thomas A. Kuntz, Mayor

Kris M. Busse, City Administrator/City Clerk