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September 13, 2018

Darin Nelson, Finance Director
City of Shakopee
485 Gorman Street
Shakopee, MN 55379

Re: Resolution approving the issuance of revenue bonds by the City of Shakopee for the benefit of
Benedictine Living Community of Shakopee LLC

Dear Darin,

Benedictine Living Community of Shakopee LLC, a Minnesota limited liability company (the "Company"), the sole member of which is Benedictine Health System, a Minnesota nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), has determined to construct approximately 116 independent living apartments, 43 assisted living units, and 24 memory care units (the "Project") to be located on property west of Marystown Road and south of 17th Avenue, Shakopee, Minnesota. The Company is requesting that the City of Shakopee (the "City") issue its revenue obligations, in one or more series, as taxable or tax-exempt obligations (the "Bonds"), in the maximum principal amount of \$62,000,000 to (i) finance the acquisition, construction, and equipping of the Project; (ii) finance the capital capitalized interest during the construction of the Project; (iii) fund required reserves; and (iv) pay costs of issuance of the Bonds.

The proposed Bonds will be issued pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act"). Pursuant to Section 462C.04, subdivision 2 of the Act, and Section 147(f) of the Code, the City Council is required to conduct a public hearing on the issuance of the Bonds, which will be held on September 18, 2018. Following the public hearing, the City Council will be asked to consider the enclosed resolution, which provides final approval to the issuance of the Bonds, approves a housing program to satisfy the requirements of the Act, and approves the execution of loan documents and related documents.

The Bonds will be secured solely by the revenues derived from a loan agreement (the "Loan Agreement") to be executed by the City and the Borrower and from other security provided by the Borrower, including the proceeds of a mortgage and a guaranty. The Bonds will not constitute a general or moral obligation of the City and will not be secured by or payable from any property or assets of the City (other than the interests of the City in the Loan Agreement) and will not be secured by any taxing power of the City. The Bonds will not be subject to any debt limitation imposed on the City, and the issuance of the Bonds will

not have any adverse impact on the credit rating of the City, even in the event that the Borrower encounters financial difficulties with respect to the Project to be financed with proceeds of the Bonds.

Each year the City has the ability to designate up to \$10,000,000 in tax-exempt bonds as “qualified tax-exempt obligations” (sometimes referred to as “bank-qualified bonds”) for purposes of Section 265(b)(3) of the Code. In order to issue bank-qualified bonds, the issuer must not expect to issue more than \$10,000,000 of bonds (other than private activity bonds that are not qualified 501(c)(3) bonds) in a calendar year. Because the principal amount of the Bonds exceeds \$10,000,000, the City will be unable to designate the Bonds or any other bonds to be issued by the City in 2018 as bank qualified.

The Borrower will agree to pay the out-of-pocket expenses of the City with respect to this transaction as well as the City’s administrative fee.

Gina Fiorini will be attending the City Council meeting on September 18, 2018 and can answer any questions that may arise during the meeting. Please contact me with any questions you may have prior to the City Council meeting.

Sincerely,

Julie A. Eddington