



Offices in
Minneapolis 470 U.S. Bank Plaza
200 South Sixth Street
Minneapolis, MN 55402
(612) 337-9300 telephone
Saint Paul (612) 337-9310 fax
www.kennedy-graven.com
St. Cloud Affirmative Action, Equal Opportunity Employer

JULIE A. EDDINGTON
Attorney at Law
Direct Dial (612) 337-9213
Email: jeddington@kennedy-graven.com

November 1, 2018

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

Re: Resolution approving the issuance of a subordinate revenue note the benefit of Benedictine Living Community of Shakopee LLC

Dear Darin,

As you know, on September 18, 2018, the City Council of the City of Shakopee (the "City") authorized the issuance of one or more series of revenue obligations (the "Obligations") in the maximum principal amount of \$62,000,000 for the benefit of 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 (the "Sole Member"). The Company intends to use the proceeds of the Obligations to (i) finance the acquisition, construction, and equipping of 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 in the City; (ii) finance the capital capitalized interest during the construction of the Project; (iii) fund required reserves; and (iv) pay costs of issuance of the Obligations. The City Council also authorized the execution of loan documents in connection with the Obligations, including an Indenture of Trust with U.S. Bank National Association, as trustee, and a Loan Agreement with the Company, and authorized the execution and delivery of a Combination Mortgage, Security Agreement, Fixture Financing Statement, and Assignment of Leases and Rents and a Guaranty Agreement from the Sole Member, as guarantor, as security for the Obligations.

The Obligations were expected to be offered publicly by Piper Jaffray & Co. However, the Company is requesting that the City issue a portion of the Obligations (the "Subordinate Note") in the approximate principal amount of \$3,500,000 to finance a portion of the Project. The Subordinate Note would be issued by the City and sold to one or more banks. The remaining portion of the Obligations (the "Bonds") would be publicly offered for sale as originally planned. The repayment of the Subordinate Note would be subordinate to the repayment of the Bonds and would be payable from surplus revenues of the Project. The Company intends to secure its repayment obligations with a separate Guaranty Agreement to be delivered by the Sole Member, as guarantor.

Enclosed is a resolution for consideration by the City Council at its meeting on November 7, 2018. This resolution authorizes the issuance of the Subordinate Note and also approves the execution of related loan

documents, including a Subordinate Note, a Subordinate Loan Agreement, a Pledge Agreement, and a Guaranty Agreement.

The Subordinate Note will be secured solely by the revenues derived from the Subordinate Loan Agreement and from other security provided by the Borrower, including the proceeds of the Guaranty Agreement for the Subordinate Note. The Subordinate Note 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 Subordinate Loan Agreement) and will not be secured by any taxing power of the City. The Subordinate Note will not be subject to any debt limitation imposed on the City, and the issuance of the Subordinate Note 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 Subordinate Note.

No public hearing will be required because the maximum principal amount of the Obligations to be issued to finance the Project will not increase. The enclosed resolution provides that the combined principal amount of the Bonds and the Subordinate Note may not exceed \$62,000,000, as originally authorized by the City Council.

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.

Please contact me with any questions you may have prior to the City Council meeting.

Sincerely,

Julie A. Eddington