

March 12, 2020

Board of Supervisors
Scott County, Iowa
600 W. 4th Street
Davenport, Iowa 52801

Re: Conduit Bond Issue – WellSpire, LLC

Dear Board of Supervisors:

This letter is related to the request by WellSpire, LLC (the “Borrower”) that Scott County, Iowa (the “County”) undertake the issuance of tax exempt bonds or notes (the “Bonds”) for the purpose of financing a portion of the costs of constructing, equipping and furnishing facilities of a senior living campus consisting of approximately 100 independent living apartments, 32 assisted living suites and a 40 bed nursing facility (the “Project”) to be located at the southwest corner of the intersection of 53rd Avenue and Middle Road, Bettendorf, Iowa. The Project is a joint venture undertaking of Genesis Health System and WesleyLife. Borrower seeks to borrow a total amount of \$43,000,000 for the Project, and the Cities of Princeton, LeClaire and Riverdale have collectively issued or will issue \$40,000,000 for the Project as discussed more fully herein. The Borrower is requesting the County to issue the Bonds in the amount of \$3,000,000 for the Project. The purpose of this letter is to outline the authority and the procedures relating to the issuance of such Bonds by the County. The Borrower seeks to close the financing in May 2020.

The County is authorized by Chapter 419 of the Code of Iowa to issue the Bonds and loan the proceeds thereof to the Borrower to finance a portion of the costs of the Project. Bonds issued under Chapter 419 of the Code of Iowa by cities and counties in the State of Iowa are common methods of obtaining federally tax-exempt financing for projects like the Project. Because the interest on such Bonds is exempt from federal income taxes, the Borrower will be able to borrow the money at lower interest rates than would be available with a conventional taxable loan. The County is authorized to issue such Bonds for facilities located within the County and anywhere within 8 miles of the boundaries of the County.

Bonds issued by the County pursuant to Chapter 419 are commonly referred to as “conduit” bonds because the County acts as a conduit between the purchasers of the Bonds and the Borrower. The Bonds are issued by the County and sold to purchasers of the Bonds, usually one or more banks. The proceeds of the sale of the Bonds are

then loaned to the Borrower pursuant to a Loan Agreement in which the Borrower agrees to repay the Bonds. Once the County issues the Bonds, the County steps out of the picture and the payments made by the Borrower under the Loan Agreement are made directly to the purchasers. The County would have no accounting or processing responsibilities with respect to payments by the Borrower under the Loan Agreement or to the purchasers of the Bonds.

The Bonds do NOT count against the County's constitutional debt limit. As provided in Section 419.3 of the Iowa Code, the Bonds would never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and would not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Bonds would be payable solely and only out of payments made by the Borrower under the Loan Agreement and the County would not be called upon to pay the Bonds from any County funds. These limitations are in Section 419.3 of the Iowa Code and will be plainly stated on the face of the Bonds.

The County is authorized by Section 265 of the Internal Revenue Code (the "Code") to issue up to \$10,000,000 of "bank qualified" obligations in each calendar year (the "\$10,000,000 BQ Limit"). The Bonds requested by the Borrower will use up \$3,000,000 of the County's \$10,000,000 BQ Limit for calendar year 2020. After the issuance of the Bonds, the County can issue up to \$7,000,000 "bank qualified" bonds in 2020. Please note that the issuance of the Bonds on behalf of the Borrower in calendar year 2020 will not limit the ability of the County to issue up to \$10,000,000 "bank qualified" bonds in any future calendar year. The County will get a new \$10,000,000 BQ Limit on January 1, 2021 for the 2021 calendar year and on January 1 of each subsequent year.

The ability of the Borrower to receive "bank qualified" status for the Bonds will also lower the interest rate on the Bonds and result in substantial interest costs savings to the Borrower. Because of the size of the Project, the Borrower asked and the Cities of Princeton, LeClaire and Riverdale each issued \$10,000,000 principal amount of bank qualified bonds for the Project in 2019, and the Borrower has asked and the City of Princeton has agreed to issue \$9,000,000 principal amount of bank qualified bonds for the Project in 2020. The City of Princeton has already held the public hearing and has agreed to issue conduit bonds for the Project in 2020, and closing is planned for the beginning of April, 2020.

We will prepare all proceedings related to the transaction, including initially a Resolution approving a Memorandum of Agreement with the Borrower and setting a public hearing date on the proposal to issue the Bonds. The Memorandum of Agreement will set forth certain understandings between the County and the Borrower

with respect to the Bonds, including the obligation of the Borrower to reimburse the County for any of its costs related to the issuance of the Bonds (i.e. for publications, mailings, etc.) and to pay any issuer fee charged by the County. The notice of hearing must be published at least fifteen days prior to the hearing date. We will coordinate publication of the notice as necessary.

After the hearing is held, the County will have the authority to issue the Bonds, and we will provide an Authorizing Resolution for adoption by the Board of Supervisors, along with all the necessary Bond documents. Once the Authorizing Resolution is adopted, a closing date will be scheduled for the Bonds. Prior to the closing date, we will make arrangements for the Chairperson of the Board of Supervisors and County Auditor to sign the loan agreement, the Bonds and the related Bond documents.

The following is a summary of the key points addressed in this letter:

1. Under Iowa law, conduit bonds are NOT a debt of the County.
2. Under Iowa law, the County has NO liability or responsibility to repay the conduit bonds; the Borrower is solely responsible to pay the purchasers under the bond documents.
3. No County funds or tax dollars are used to pay the conduit bonds. The issuance of the conduit bonds is an economic development tool that does not require a monetary contribution of the County, but does use a portion of the County's BQ capacity for calendar year 2020.
4. The County is not responsible for any ongoing monitoring or collection of payments; the Borrower repays the purchasers directly.
5. The Borrower is making this request to obtain a lower interest rate on the loan to finance the Project.
6. The Borrower is responsible for paying the County for any direct costs incurred by the County, such as costs for copying, postage or publication of notices, related to the issuance of the conduit bonds. Some issuers charge an issuer fee in addition to reimbursement for costs. A typical fee charged by cities and counties is 10 basis points (.10%) of the par amount of the conduit bonds issued (which would be \$3,000 in this case for a \$3,000,000 issuance); however, the County has not charged a fee in the past.

Page 4

I hope this information will be useful as the County considers assisting the Borrower in obtaining tax exempt financing for the Project. Please contact me (515-699-3273) if you have any questions or if there is any further information we can supply at this time. Thank you for your consideration of this matter.

Sincerely,



Cristina Kuhn

cc: Mahesh Sharma
David Farmer

Memorandum of Agreement and Setting Date for
Hearing

Scott County, Iowa

April 16, 2020

The Board of Supervisors of Scott County, Iowa, met telephonically in regular session on the above date at 5:00 p.m. The Board is conducting this meeting telephonically due to federal and state government recommendations in response to COVID-19 pandemic conditions, and Governor Reynolds' Proclamation of Disaster Emergency dated March 19, 2020, and a telephone conference number was included in the posted agenda of this public meeting. The meeting was called to order and there were present the Chair of the Board of Supervisors and the following named Supervisors:

Present: _____

Absent: _____.

Other Business

Matters were discussed relative to a financing pursuant to Chapter 419 of the Iowa Code. Whereupon, Supervisor _____ introduced the following resolution and moved its adoption, seconded by Supervisor _____; and after due consideration thereof by the Board, the Chair put the question upon the motion and the roll being called, the following named members of the Board voted:

Ayes: _____

Nays: _____.

Whereupon, the Chair declared the said motion duly carried and the resolution adopted as follows:

RESOLUTION NO. _____

A Resolution authorizing the execution of a Memorandum of Agreement with WellSpire, LLC, and fixing a date for a hearing on the proposed issuance of revenue bonds or notes pursuant to Chapter 419 of the Iowa Code.

WHEREAS, the County of Scott, State of Iowa (the “Issuer”), is a county and political subdivision of the State of Iowa authorized and empowered by the provisions of Chapter 419 of the Code of Iowa, as amended (the “Act”), to issue revenue bonds or notes for a project located within, or within eight miles of, the Issuer for the purpose of financing the cost of acquiring, by construction or purchase, land, buildings, improvements and equipment suitable for the use of any facility for an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) which is exempt from federal income tax under Section 501(a) of the Code (a “Tax Exempt Organization”) and to refund any bonds issued pursuant to the Act and any existing indebtedness relating to such facilities and paying costs of issuance associated therewith; and

WHEREAS, the Issuer has been requested by WellSpire, LLC or an affiliate thereof (the “Borrower”), a Tax Exempt Organization, to issue its revenue bonds or notes in an aggregate principal amount not to exceed \$3,000,000 (the “Bonds”) for the purpose of providing funds to the Borrower (a) to finance a portion of the costs of constructing, equipping and furnishing facilities of a senior living campus consisting of approximately 100 independent living apartments, 32 assisted living suites and a 40 bed nursing facility, including the retirement of any existing indebtedness related thereto (the “Project”) to be located at the intersection of 53rd Avenue and Middle Road, Bettendorf, Iowa and (b) to pay costs of issuance of the Bonds; and

WHEREAS, it is proposed to finance the foregoing through the issuance of the Bonds and to loan the proceeds from the sale of the Bonds to the Borrower pursuant to a Loan Agreement between the Issuer and the Borrower, the obligations of which will be sufficient to provide for a portion of the financing the Project and paying for costs of issuance; and

WHEREAS, the Bonds, if issued, shall be limited obligations of the Issuer, and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, and the principal of, interest and premium, if any, on the Bonds shall be payable solely out of the revenues derived from the Loan Agreement; and

WHEREAS, a Memorandum of Agreement in the form and with the contents set forth in Exhibit A attached hereto, has been presented to the Issuer under the terms of which the Issuer agrees, subject to the provisions of such Agreement, to pursue proceedings necessary under the Act to issue the Bonds for such purpose and the Memorandum of Agreement does not legally commit the Issuer to issue the Bonds;

NOW, THEREFORE, IT IS RESOLVED by the Board of Supervisors of the Issuer, as follows:

Section 1. The Memorandum of Agreement in the form and with the contents set forth in Exhibit A attached hereto is hereby approved, and the Chair is hereby authorized to execute said Memorandum of Agreement and the County Auditor is hereby authorized to attest

the same and to affix the seal of the Issuer thereto; said Memorandum of Agreement, which constitutes and is hereby made a part of this Resolution, to be in substantially the form, text and containing the provisions set forth in Exhibit A attached hereto.

Section 2. Officials of the Issuer are hereby authorized to take such further action as may be necessary to carry out the intent and purpose of the Memorandum of Agreement. The final decision whether to issue the Bonds and the final amount of the Bonds shall be subject to further action by this Board of Supervisors.

Section 3. This Board shall meet on the 14th day of May, 2020, at Administrative Center in Davenport, Iowa, at 5:00 p.m., at which time and place any resident or property owner of the Issuer may present oral or written objections on the proposal to issue the Bonds referred to in the preamble hereof.

Section 4. The County Auditor is hereby directed to give notice of intention to issue the Bonds, setting forth the amount and purpose thereof, the time when and place where the hearing will be held, by publication at least once not less than fifteen (15) days prior to the date fixed for the hearing, in a newspaper published and having a general circulation within the Issuer. The notice shall be in substantially the following form:

NOTICE OF INTENTION TO ISSUE REVENUE BONDS OR NOTES

The Board of Supervisors of Scott County, Iowa, (the “Issuer”) will meet on the 14th day of May, 2020, at 5:00 p.m., at the Administrative Center, 600 W. 4th Street, Davenport, Iowa 52801, for the purpose of conducting a public hearing on the proposal to issue revenue bonds or notes, of the Issuer in the aggregate principal amount not to exceed \$3,000,000 (the “Bonds”) and to loan said amount to WellSpire, LLC or an affiliate thereof (the “Borrower”), for the purpose of providing funds to the Borrower (a) to finance a portion of the costs of constructing, equipping and furnishing facilities of a senior living campus consisting of approximately 100 independent living apartments, 32 assisted living suites and a 40 bed nursing facility, including the retirement of any existing indebtedness related thereto (the “Project”) to be located at the intersection of 53rd Avenue and Middle Road, Bettendorf, Iowa and (b) to pay costs of issuance of the Bonds. The Project will be owned by the Borrower.

The Bonds, when issued, will be limited obligations and will not constitute general obligations of the Issuer nor will they be payable in any manner by taxation, but the Bonds will be payable solely and only from amounts received by the Issuer pursuant to a Loan Agreement between the Issuer and the Borrower, the obligations of which will be sufficient to pay the principal of and interest and redemption premium, if any, on the Bonds as and when the same shall become due.

At the time and place, oral or written objections from any resident or property owner of the Issuer may be presented. At such meeting or any adjournment thereof, the Issuer shall adopt a resolution determining whether or not to proceed with the issuance of the Bonds. Written comments may also be submitted to the Issuer at 600 W. 4th Street, Davenport, Iowa 52801. Written comments must be received by the above hearing date.

By order of the Board of Supervisors of Scott County, Iowa.

County Auditor

Section 5. On the basis of representations of the Borrower, the Issuer declares (a) that the Borrower intends to undertake the Project; (b) that other than (i) expenditures to be paid or reimbursed from sources other than the Bonds, or (ii) expenditures made not earlier than 60 days prior to the date of this Resolution (or other qualifying reimbursement resolution), or (iii) expenditures amounting to the lesser of \$100,000 or 5% of the proceeds of the Bonds, or (iv) expenditures constituting preliminary expenditures as defined in Section 1.150-2(f)(2) of the Regulations, no expenditures for the Project have heretofore been made by the Borrower and no expenditures will be made by the Borrower until after the date of this Resolution (or other qualifying reimbursement resolution); and (c) that the Borrower reasonably expects to reimburse the expenditures made for costs of the Project out of the proceeds of the Bonds. This declaration is a declaration of official intent adopted pursuant to Section 1.150-2 of the Regulations.

Section 6. All resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Passed and approved April 16, 2020.

Chair

Attest:

County Auditor

Other Business

On motion and vote, the meeting adjourned.

STATE OF IOWA
COUNTY OF SCOTT

SS:

I, the undersigned, do hereby certify that I am the duly appointed, qualified and acting County Auditor of the aforementioned County and that as such I have in my possession or have access to the complete official records of said County and of its Board and officers; and that I have carefully compared the transcript hereto attached with the aforesaid official records and that said transcript hereto attached is a true, correct and complete copy of all of the official records showing the action taken by the Board of Supervisors of said County to authorize the execution of a Memorandum of Agreement by and between WellSpire, LLC and said County and to set a public hearing date as set forth therein.

WITNESS my hand and the seal of said County hereto affixed this _____ day of _____, 2020.

County Auditor

(Seal)

STATE OF IOWA
COUNTY OF SCOTT

SS:

I, the undersigned, County Auditor of the aforementioned County, do hereby certify that I caused a notice of which the printed slip annexed to the publisher's affidavit hereto attached, is a true and complete copy, to be published in the _____, a legal newspaper, printed wholly in the English language, published in said County and of general circulation in such County as evidenced by the said affidavit.

WITNESS my hand and the seal of the aforementioned County hereto affixed this ____ day of _____, 2020.0

County Auditor

(Seal)

(PLEASE NOTE: This certificate must be dated as of or subsequent to the actual date of publication of the notice.)

EXHIBIT A
MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT is between Scott County, Iowa (the “Issuer”) and WellSpire, LLC (the “Borrower”).

1. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this Agreement are the following:

(a) The Issuer is authorized by Chapter 419 of the Code of Iowa, as amended (the “Act”) to issue revenue bonds or notes for a project located within, or within eight miles of, the Issuer for the purpose of financing the cost of acquiring, by construction or purchase, land, buildings, improvements and equipment suitable for the use of any facility for an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) which is exempt from federal income tax under Section 501(a) of the Code (a “Tax Exempt Organization”), refunding any bonds issued pursuant to the Act and any existing indebtedness relating to such facilities, and paying costs of issuance associated therewith.

(b) The Borrower, a Tax Exempt Organization, wishes to obtain satisfactory assurance from the Issuer that, subject to the public hearing required by the Act and Section 147(f) of the Code, and to due compliance with all requirements of law and the obtaining of all necessary consents and approvals and to the happening of all acts conditions and things required to exist, happen or be performed precedent to and in connection therewith in due time, form and manner as required by law, such bonds or notes will be issued by the Issuer in a principal amount not to exceed \$3,000,000 (the “Bonds”) for the purpose of providing funds to the Borrower (a) to finance a portion of the costs of constructing, equipping and furnishing facilities of a senior living campus consisting of approximately 100 independent living apartments, 32 assisted living suites and a 40 bed nursing facility, including any existing indebtedness related thereto (the “Project”) to be located at the intersection of 53rd Avenue and Middle Road, Bettendorf, Iowa and (b) to pay costs of issuance of the Bonds.

2. Undertakings on the Part of the Issuer.

(a) The Issuer will begin the proceedings necessary to authorize the issuance of the Bonds in an aggregate principal amount not to exceed \$3,000,000.

(b) Subject to due compliance with all requirements of law, including the provisions of and the public hearing required by the Act, it will cooperate with the Borrower in the issuance and sale of such Bonds, and the proceeds from the issuance of such Bonds shall be loaned to the Borrower upon such terms sufficient to pay the principal of and interest and redemption premium, if any, on such Bonds, as and when the same shall become due all as shall be authorized by law and mutually satisfactory to the Borrower and the Issuer.

(c) The Issuer shall determine when, in what amount, and if the Bonds may be issued without causing the Issuer to lose its qualification as a “qualified small issuer” within the meaning of Section 265(b)(3)(C) of the Code.

3. Undertakings on the Part of the Borrower.

(a) It will use all reasonable efforts to cooperate with the Issuer and comply with the Act and all other provisions of law relating to financing the Project and the issuance and sale of such Bonds.

(b) It will enter into a Loan Agreement with the Issuer under the terms of which it will obligate itself to pay to the Issuer sums sufficient to pay the principal of and interest and redemption premium, if any, on such Bonds as and when the same shall become due and payable, such instrument to contain other provisions required by law and such other provisions as shall be mutually acceptable to the Issuer and the Borrower.

(c) It will take such further action and adopt such further proceedings as may be required to implement its aforesaid undertaking or as it may deem appropriate in pursuance thereof.

4. General Provisions.

(a) All commitments on the part of the Issuer and the Borrower herein are subject to the condition that on or before one year from the date hereof (or such other date as shall be mutually agreed to) the Issuer and the Borrower shall have agreed to mutually acceptable terms relating to the issuance and sale of such Bonds, and mutually acceptable terms and conditions of the documents and proceedings referred to in paragraphs 2 and 3 hereof.

(b) The Borrower agrees that it will reimburse the Issuer for all reasonable and necessary direct out-of-pocket expenses which the Issuer may incur at its request arising from the execution of this Agreement and the performance by the Issuer of its obligation hereunder, including, but not limited to, legal fees, printing and publication costs and filing fees arising from the execution of this Agreement and the performance, or preparation to perform by the Issuer of

its obligations hereunder, done at the request of the Borrower, whether or not such Bonds are issued.

(c) All commitments of the Issuer hereunder are further subject to the conditions that the Issuer, and its elected and appointed officials, shall in no event incur any liability for any act or omission hereunder, and that such Bonds described herein shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

The execution of this Memorandum of Agreement by the Issuer is not intended to nor does it create a binding commitment on the part of the Issuer to proceed with the issuance of the Bonds. It is further understood that the issuance of the Bonds is subject to further review by the Board of Supervisors of the Issuer and compliance with all provisions of the Act, including the holding of a public hearing with respect thereto.

(d) Preparation of all resolutions, agreements, instruments, certificates, or other documents in final form for adoption and execution shall be the sole responsibility of Bond Counsel.

(e) In the event Sections 145 and 146 of the Code restrict the aggregate principal amount of Bonds for Tax-Exempt Organizations which the Issuer may issue in any calendar year, the Issuer may, in its discretion, rescind its commitments under Paragraph 2 hereof, without liability on the part of the Issuer.

Dated as of the 16th day of April, 2020.

SCOTT COUNTY, IOWA

By: _____
Chair of the Board of Supervisors

Attest:

County Auditor

WELLSPIRE, LLC

By: _____
Authorized Representative