MEMORANDUM

TO Governing Body of the City of Princeton, Minnesota

FROM Ballard Spahr LLP

DATE December 6, 2022

RE City of Princeton, Minnesota (the "Issuer") Nursing Home Amended Revenue Note (Elim Homes, Inc. Project), Series 2013 issued to Bremer Bank, National Association, as lender

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In 2013, the Issuer issued the above-referenced tax-exempt conduit revenue note (the "Note"), which is a special, limited obligation of the Issuer. The full, faith and credit and taxing power of the Issuer ***are not*** pledged to the payment of the Note. The Issuer loaned the proceeds of the Note to Elim Homes, Inc., a non-profit senior care provider (the "Conduit Borrower"), to finance the project owned by the Conduit Borrower in the City of Princeton. The Note is payable solely from the revenues of the Conduit Borrower. Bremer Bank, National Association (the "Lender") is the 100% holder of the Note and has been the holder of the Note since its date of original issue. The current interest rate for the Note is based on a formula, part of which is a swap index rate that is derived off of the London Inter-Bank Offered Rate (LIBOR) administered by the ICE Benchmark Administration ("IBA"). In November 2020, the IBA announced that it will cease publication of US Dollar denominated LIBOR settings on June 30, 2023. The interest rate on the Note is subject to adjustment on certain dates in the future based upon the formula in the Note and with LIBOR being phased-out the interest rate on the Note will not be able to be adjusted with certainty in the future if an amendment is not made to the Note to account for the phasing-out of LIBOR.

In anticipation of the discontinuance of LIBOR, the Lender and the Conduit Borrower have elected to adjust the formula for resetting the interest rate of the Note with a new index and spread that closely approximates (is reasonably equivalent to) the current reset formula in the Note. The new interest rate index will be an index published by The Federal Home Loan Bank of Des Moines and the spread to the index will be adjusted to approximate the current formula in the Note. Both the Lender and the Conduit Borrower have agreed to the new formula for interest rate adjustments in the Note.

To account for this change, the Lender, the Conduit Borrower and the Issuer will enter into a technical amendment to the Note in the form of an Allonge to Promissory Note (the "Allonge"), amending the Note and the associated financing documents to evidence the new interest rate adjustment formula for the Note. In connection with the amendments, Ballard Spahr LLP will deliver a bond counsel opinion letter that the execution and delivery of the Allonge will not, in and of itself, adversely affect the exclusion of interest on the Note from gross income for federal income tax purposes.

Included with this memorandum is a form of a resolution to be considered by the governing body of the Issuer at its regularly scheduled meeting on December 8, 2022 that authorizes the appropriate Issuer officials to enter into the Allonge and any other documents or certificates necessary for the required amendment to the Note as a result of the phase out of LIBOR. In addition, the following are on file with the governing body of the Issuer:

1. Draft form of the Allonge; and

2. Draft form of Bond Counsel No Adverse Change Opinion Letter.

As is typical of conduit revenue bonds and notes (also referred to as “private activity bonds”), the Issuer does not have any obligation to make any payments on the Note, and the Lender cannot require the City to levy a tax or appropriate funds if revenues are insufficient to pay interest or principal on the Note. The Note is now, and will remain, payable only from sources of payment pledged by the Conduit Borrower for loan repayment. The interest rate modification described in this memorandum will not have any effect on the Issuer’s credit rating or ability to seek bank qualification on any upcoming planned financings.

Sincerely,

Ballard Spahr LLP