Presbyterian Manors™ of Mid-America
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MEMORANDUM

TO: City of Lawrence, Kansas

CC: City of Arkansas City, Kansas; City of Clay Center, Kansas; City of Dodge City, Kansas; City of Emporia, Kansas; City of Fort Scott, Kansas; City of Newton, Kansas; City of Parsons, Kansas; City of Salina, Kansas; City of Topeka, Kansas; Unified Government of Wyandotte County/Kansas City, Kansas; (collectively, the **"Participants"**); City of Wichita, Kansas

FROM: Bruce H. Shogren, President and CEO of Presbyterian Manors, Inc. **("PMI")**

RE: PMI's Request to Authorize Issuance of Bonds by City of Wichita, Kansas and Amend Existing Interlocal Agreement

DATE: March 25, 2013

This memorandum will describe PMI's request to the Participants to (1) authorize the issuance of up to $110 million in Health Care Facilities Revenue Bonds (the "Bonds") and (2) execute an amendment to the respective Interlocal Cooperation Agreement previously entered into by each Participant.

The City of Wichita has acted as issuer of bonds on behalf of PMI since 1990 to finance improvements to PMI communities throughout Kansas. Having a single issuer enables PMI to have an integrated financing structure, which benefits PMI and all the communities due to improved borrowing costs. Under this structure, PMI has spent in excess of $17 million in bond proceeds on its communities in Kansas, including an estimated $3.3 million at its community in Lawrence, Kansas. To enable Wichita to be the issuer, each Participant has entered into an Interlocal Cooperation Agreement with the City of Wichita.

PMI Project Financing

By letter dated March 13, 2013, PMI formally requested a Letter of Intent from the City of Wichita to issue the Bonds (as more fully described in PMI's letter to the City of Wichita dated March 13, 2013, a copy of which is attached hereto), the proceeds of which will be used by PMI to (1) finance approximately $60 million in capital expenditures for a major repositioning of its Wichita, Kansas continuing-care retirement community; (2) finance approximately $7 million of capital expenditures at other PMI continuing-care retirement communities in Kansas; (3) refund all or a portion of bonds previously issued by the City of Wichita on behalf of PMI in 2004 and 2007; and (4) pay certain costs associated with the issuance of the Bonds.

To facilitate the issuance of the Bonds, PMI is requesting that each Participant authorize the issuance of the Bonds by the City of Wichita and authorize and execute an amendment extending the Interlocal Cooperation Agreement such Participant previously entered into to ensure the Interlocal Cooperation Agreements remain in force throughout the proposed term of the Bonds.

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Kansas: Arkansas City Clay Center Dodge City Emporia Fort Scott Kansas City Lawrence Newton Olathe Parsons Salina Sterling Topeka Wichita
Missouri: Farmington Fulton Rolla

The following documents are attached to this memorandum:

- Copy of existing Interlocal Cooperation Agreement;
- Proposed Resolution authorizing issuance of the Bonds by the City of Wichita;
- Draft Notice of Public Hearing;
- Draft Amendment to Interlocal Cooperation Agreement
- Copy of PMI's letter to City of Wichita dated March 13, 2013 (without attachments)

Interlocal Agreements

Each of the Participants previously entered into an Interlocal Cooperation Agreement as permitted by and in accordance with K.S.A. 12-2901 *et seq.*, as of the date provided in the table below:

Participant	Date of Interlocal Agreement
Arkansas City	February 1, 1994
Clay Center	June 20, 2007
Dodge City	November 7, 1994
Emporia	November 27, 1990
Fort Scott	February 10, 1994
Lawrence	September 22, 1993
Newton	November 27, 1990
Parsons	June 20, 2007
Salina	November 27, 1990
Topeka	July 3, 1995
Wyandotte County/Kansas City	May 24, 1994

Each Interlocal Cooperation Agreement will terminate in 2030. Further, each Interlocal Cooperation Agreement:

- Grants the City of Wichita the authority to issue bonds on behalf of PMI for the benefit of PMI's communities inside the territorial limits of the Participants;
- Provides that the Participants will have no liability for the payment of principal of or interest on any bonds issued by the City of Wichita on behalf of PMI pursuant to the Interlocal Cooperation Agreement;
- Permits the City of Wichita to own the property on which PMI's communities are located and lease such property to PMI as security for PMI's obligations on bonds issued by the city of Wichita.

PMI is requesting that each Participant and the City of Wichita agree to amend the Interlocal Cooperation Agreements previously entered into to extend the stated termination date beyond the final maturity date of the Bonds to 2054. The proposed amendment will not affect any provisions of the Interlocal Cooperation Agreement other than the termination date.

Authority to Issue Bonds

The federal tax code requires that a public hearing be held in each jurisdiction where tax-exempt bond proceeds will be spent and that upon conclusion of the public hearing, the governing body or highest elected official in the jurisdiction approve the issuance of the bonds. Therefore, PMI is requesting each Participant to hold a public hearing and pass a resolution authorizing the City of Wichita to issue the Bonds pursuant to the Interlocal Cooperation Agreement, as amended. Costs of publishing a notice of the public hearing in the official City newspaper will be paid for with proceeds of the Bonds or otherwise provided for by PMI.