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## MEMORANDUM

**TO:** City of Lawrence, Kansas

**CC:** Presbyterian Manors, Inc.

**FROM:** Gilmore & Bell, P.C.

**RE:** PMI's Request to Host TEFRA Hearing

**DATE:** June 9, 2016

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Presbyterian Manors, Inc. ("PMI") has requested that the City of Lawrence, Kansas (the "City") hold a public hearing regarding the use of proceeds of bonds issued by the City of Wichita, Kansas and authorize the use of such proceeds to finance capital improvements at the PMI community in the City.

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. Recently, Wichita issued its Health Care Facilities Revenue Bonds (Presbyterian Manors, Inc.), Series IV, 2013, (the "Series 2013 Bonds") the proceeds of which were used to finance and refinance capital improvements at many of PMI's long-term care communities in Kansas. To enable Wichita to be the issuer of bonds on PMI's behalf, the City has entered into an Interlocal Cooperation Agreement with the City of Wichita, which was extended in 2013 to ensure the Interlocal Cooperation Agreement would remain in place through maturity of the Series 2013 Bonds.

PMI has determined that it will have funds related to certain assets financed and refinanced with the proceeds of the tax-exempt portion of the Series 2013 Bonds. To maintain the tax-exemption on the Series 2013 Bonds, the federal tax code requires PMI to use such funds to either redeem a proportionate amount of tax-exempt Series 2013 Bonds or finance capital expenditures. PMI has elected to use such funds to finance capital expenditures at its communities in Kansas, including the community in the City, which requires complying with certain requirements of the federal tax code as if the proceeds were derived from the actual issuance of 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.

To comply with these federal tax code requirements, PMI has requested that the City hold a public hearing and authorize the Mayor to execute a certificate authorizing the use of the funds in the City. No further action regarding the Interlocal Cooperation Agreement is necessary at this time. A notice of public hearing was published in the *Lawrence Journal World* on June 6, 2016. Costs of publishing the notice in the official City newspaper and any related fees of counsel will be paid for by PMI.

If additional information can be provided to assist with your consideration of this request, please let us know.