RESOLUTION 14D-14

RESOLUTION APPROVING A PROJECT BY ST. FRANCIS HEALTH SERVICES OF MORRIS, INC. AND CONSENTING TO THE ISSUANCE OF OBLIGATIONS BY THE CITIES OF BROWNS VALLEY AND BROWERVILLE, MINNESOTA

RESOLVED, by the Board of Commissioners (the "Board") of the Duluth Economic Development Authority, St. Louis County, Minnesota ("DEDA"), as follows:

1. Authority. Fryberger, Buchanan, Smith & Frederick, P.A., bond counsel ("Bond Counsel") has advised DEDA that Minnesota Statutes, Sections 469.152 through 469.165, as amended (the "Act"), authorize the issuance of revenue obligations to refinance indebtedness incurred by an organization engaged in providing health care services, health care related activities, activities for mentally or physically disabled persons and social services (together, the "Qualified Services and Activities").

2. Description of the Project.

   a. Representatives of St. Francis Health Services of Morris, Inc. (the "Borrower") have represented to DEDA that the Borrower is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, engaged directly or through one or more of its affiliated organizations in providing Qualified Services and Activities. The Borrower's affiliated organizations involved with the operation of the Project (hereinafter defined) are Prairie Community Services, a Minnesota nonprofit corporation ("PCS") and Franciscan Health Center, a Minnesota nonprofit corporation ("FHC").

   b. Representatives of the Borrower have further advised DEDA that the Borrower desires to refinance, on a tax-exempt basis, indebtedness incurred at the locations and for the purposes listed below (the "Project"):

Location of Expenditures	Purpose of Original Indebtedness
Fresh Start (PCS) 1610 East First Street Duluth, MN 55812	acquisition of a 10-bed intensive residential treatment service facility
Franciscan Health Center (FHC) 3910 Minnesota Avenue Duluth, MN 55802	acquisition of and capital improvements to a 44-bed skilled nursing facility

   c. The FHC portion of the Project includes refinancing the outstanding amount of the City of Browns Valley, Minnesota $612,240 Health Care

Facilities Revenue Note, Series 2002B (St. Francis Health Services of Morris Project).

3. Refinancing; Conditions.

   a. At the request of the Borrower, the governing bodies of the City of Browns Valley, Minnesota and the City of Browerville, Minnesota (together, the "Issuers"), have expressed their intent to refinance the Project and other capital projects of the Borrower and finance certain costs associated with the refinancing through the issuance of tax-exempt revenue obligations in an amount not to exceed $10,100,000 (the "Obligations").

   b. Bond Counsel has informed representatives of the Borrower that in order for the Obligations to be issued on a tax-exempt basis, and in order to comply with Minnesota laws restricting the issuance of obligations by one municipality for a project in another municipality, DEDA must (i) conduct a public hearing on the proposal of the Borrower to undertake and refinance the Project and (ii) consent to the issuance of the Obligations by the Issuers.

   c. The Obligations, when, as and if issued, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of DEDA, and the Obligations, when, as and if issued, shall recite in substance that the Obligations, including interest thereon, are payable solely from the revenues received from the Borrower and the property pledged to the payment thereof, and shall not constitute a debt of DEDA within the meaning of any constitutional or statutory limitation.

4. Recital of Representations Made by the Borrower. DEDA has been advised by representatives of the Borrower that: (i) conventional refinancing is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced; (ii) on the basis of information submitted to this Board by the Borrower and their discussions with representatives of area financial institutions and potential buyers of tax-exempt bonds, the Obligations can be issued and sold upon favorable rates and terms to refinance the Project; (iii) the Borrower will experience a significant debt service cost savings as a result of the Project; and (iv) the Project would not be undertaken in its present form but for the availability of refinancing under the Act.

5. Public Hearing.

   a. A Notice of Public Hearing was published in the *Duluth News Tribune*, DEDA's official newspaper and a newspaper of general circulation, calling a public hearing on the proposed issuance of the Obligations and the proposal to undertake and refinance the Project.

   b. The Board of Commissioners has, on April 23, 2014, held a public hearing on the proposal to undertake and refinance the Project, through the

issuance of the Obligations by the Issuers, at which all those appearing who desired to speak were heard and written comments were accepted, if submitted.

6. Approvals; Preconditions.

a. The proposal of the Borrower and its affiliates to undertake and refinance the Project and the issuance of the Obligations by the Issuers are approved.

b. The President and the Secretary of DEDA (the "Authorized Officers"), or the designee of any of the Authorized Officers, are authorized and directed to execute and deliver such documents or certificates needed from DEDA for the issuance of the Obligations.

Approved by the Duluth Economic Development Authority this 23rd day of April, 2014.

ATTEST:

APPROVED AS TO FORM

JMC

DEDA Attorney

APPROVED FOR PRESENTATION

CTE

Executive Director

Executive Director

STATEMENT OF PURPOSE: This Resolution approves the issuance and sale by the City of Browns Valley, Minnesota and the City of Browerville, Minnesota (the "Issuers") of not to exceed $10,100,000 Health Care Facilities Revenue Notes, Series 2014 (St. Francis Health Services of Morris, Inc. Project) (the "Obligations"). The actions approved in this Resolution are required by the State of Minnesota and federal law both for the valid issuance of and tax exemption of interest on the Obligations. The proceeds of the Obligations will be used, in part, to refinance debt incurred for improvements to Franciscan Health Center and a residential group home known as Fresh Start located in Duluth.