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June 14, 2007

Honorable Mayor and City Council
City of Windsor Heights, Iowa
1133 66th Street
Windsor Heights, IA 50311-1799

RE: Conduit Bond Financing for Salisbury House Foundation

Dear Mayor and Council Members:

The City Council of the City of Windsor Heights, Iowa (the "City") is being asked to consider the proposed issuance of not to exceed \$3,600,000 of revenue bonds under Chapter 419 of the Iowa Code. Proceeds of the bonds would be loaned to Salisbury House Foundation ("Salisbury House") and would be used by Salisbury House to refinance outstanding debt incurred to pay costs of installation of new mechanical systems, electrical wiring, security and fire detection systems and a fire suppression system at the historic Salisbury House. Bankers Trust Company, N.A. has committed to purchase the bonds in a private placement.

This type of financing is often referred to as a "conduit" financing. A conduit borrower with an eligible "project" as defined in Chapter 419 requests a municipality to act as a conduit issuer of bonds and loan the proceeds of the bonds to the conduit borrower, who is then responsible for repayment of the bonds. This type of financing is desirable to a borrower because the borrower is afforded the benefit of long term financing at a lower interest rate. In addition, bonds issued for a nonprofit 501(c)(3) organization, such as Salisbury House, can be designated as "qualified tax-exempt obligations" under Section 265 of the Internal Revenue Code, if the reasonably anticipated amount of tax-exempt obligations expected to be issued by the issuer during the calendar year does not exceed \$10,000,000. A bank can then purchase and hold the bonds, which are referred to as "bank qualified," at a more favorable interest rate.

Bonds issued under Chapter 419 are always revenue bonds. Payment of the principal of and interest on such bonds would be payable solely out of the payments made by the conduit borrower (Salisbury House) under a Loan Agreement between the City and Salisbury House. The bonds are

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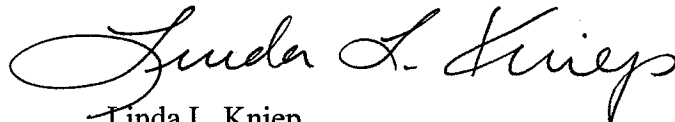
limited, special obligations of the City. The bonds do not constitute an indebtedness of the City within the meaning of any State constitutional provision or statutory limitation and do not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers. Thus, the bondholders could only look to Salisbury House for payment of the bonds. Bondholders have no recourse against the City.

Salisbury House needs to have funds available in July in order to refinance the construction loan which matures at that time. Thus, Salisbury House would like to proceed with the bond issuance as soon as possible. The first step in the bond issuance process is the initial resolution to be considered by the Council which sets a date for a public hearing on the proposal to issue the bonds. At a second meeting, the hearing would be held and the issuance of the bonds could then be authorized.

Ahlers & Cooney will prepare all proceedings and act as Bond Counsel and Issuer's Counsel for this matter. Salisbury House would be responsible for all expenses of the Bond issue, including but not limited to, legal fees of Bond counsel and Issuer's counsel and publication costs.

We hope this letter has answered any questions as to the request from the Salisbury House Foundation and the role of the City in such a financing. If you have any further questions, please do not hesitate to call me at (515) 246-0310. Thank you.

Sincerely,



Linda L. Kniep
FOR THE FIRM

LLK:ej

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