

Oregon Facilities Authority

Minutes of Meeting of

December 12, 2016

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on December 12, 2016, commencing at approximately 12:00 p.m. at Tonkon Torp LLP, 888 SW Fifth Avenue, Suite 1600, Portland, Oregon.

Authority Members participating in the meeting were: Chair Sean Hubert and Members Beth deHamel, Javier Fernandez, J. Kevin McAuliffe (via telephone) and Eric Johansen.

Participating in the meeting to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority; Jessica Morgan, Associate Executive Director of the Authority; Pat Clancy of Western Financial Group, Financial Adviser; Carol McCoog and Gulgun Mersereau of Hawkins Delafield & Wood LLP, SNAP and Special Bond Counsel; Michael Schrader, Steve White, and Doug Goe of Orrick, Herrington and Sutcliffe, LLP, Lead Bond Counsel; Ted Wheeler, Laura Lockwood-McCall, Lee Anaya and James Sinks (via telephone) of the Office of the State Treasurer ("OST"); and Cynthia Byrnes of the Oregon Department of Justice ("DOJ").

Other attendees included: Sue Cutsogeorge (retiring Board member) and Ellsworth (Gunner) Ingraham (former Board member).

Chair Sean Hubert called the meeting to order and presented the notice of meeting.

Recognition of Sue Cutsogeorge

On behalf of the Authority, Mr. Hubert thanked Ms. Cutsogeorge for her many contributions to OFA and its Board during her eleven years of service. Ms. Lockwood-McCall echoed Mr. Hubert's appreciation and specifically recognized Ms. Cutsogeorge's efforts in developing the SNAP Bond program and the structure of OFA. Each Board Member, Mr. Ingraham, and OFA staff then offered their individual thanks to Ms. Cutsogeorge for her mentorship, guidance, friendship and contributions to OFA's work over the years.

Treasurer Wheeler commended Ms. Cutsogeorge for her service to the Authority, recognizing in particular her help in moving OFA forward to help Oregon nonprofits in such a thoughtful way. He thanked her for her many years of service.

Ms. Cutsogeorge expressed her appreciation for OFA and its Board Members and staff, and thanked OST for the opportunity to serve OFA. She has truly enjoyed working with everyone.

Recognition of Eric Johansen

Mr. Hubert introduced Mr. Johansen to the Board and advisors as the newest OFA Board appointee. The Board welcomed Mr. Johansen to the Authority.

Election of Board Officers 2017

Ms. DeHamel moved that the Board re-elect Mr. Hubert as Chair and Ms. McLennan as Vice Chair of the Board for 2017. The Board unanimously approved their appointments and they agreed to serve.

Website Preview

Mr. Morgan and Mr. Sinks provided the Board with a status update on the development of the new OFA website. Ms. Morgan walked the Board through the various pages of the new website and discussed updates that the Board would like to see in the next version. Ms. Morgan will work with Mr. Sinks to provide the Board with a revised website following the new year.

The Board took a brief recess to change rooms and reconvened at approximately 1:15 p.m.

Mr. Fernandez stated that any views he expressed were his own and not those of any organization.

Consideration of Conditional Final Approval for the application for an OFA SNAP Bond for Community Vision, Inc. in an amount not to exceed \$4,500,000.

Ms. Valerie Plummer, Development Director, appeared on behalf of the Applicant. Ms. Kathy Swift, Vice President, Commercial Banking Officer, of Pacific Continental Bank (the "Bank") appeared to assist in the presentation of the application.

Ms. Plummer reviewed the project: to finance the construction of a 25,000 square foot building, located at 1949 SE Division, Portland, for the purpose of serving persons with disabilities in collaboration with two other nonprofits. There have been no changes to the project since preliminary approval was requested. The Applicant's Board has approved/confirmed approval and is comfortable moving forward with the project.

Ms. Smith updated the Board on the financing plan and reported that she anticipates closing on December 23. The only change to the transaction since preliminary approval is the requirement of a subordination agreement by Multnomah County. The County had initially donated the property with the condition that the land be used for a social service mission. The Bank has agreed to a form of subordination agreement for purposes of closing but following closing the parties will agree to an amendment which will include a buyout price to the Bank upon foreclosure. The Bank was comfortable closing with this change.

Bond Counsel's report is included in the materials. Ms. Mersereau confirmed that the documents are in substantially final form. Tax due diligence is complete. Ms. Mersereau recommended the transaction for final approval.

The Associate Executive Director's report is included in the materials. Ms. Morgan described the nature of conditional final approval and explained to the Board that she will remain involved post-closing in order to confirm all documents as described in the transaction are in place. She recommended the transaction for conditional final approval.

OST requested additional information about the structure of the facility operations and the two other nonprofits that will be operating in the facility with the Applicant. Ms. Plummer gave background of

the other nonprofits, which also serve the disabled population. She noted the lease for a small coffee shop, which employs individuals from the program. Ms. Plummer also explained the project's ADA accessibility which utilizes efficient architecture and design for persons with disabilities and also highlighted the proposed technology discovery lab, which will be used by children with disabilities.

After discussion by the Board, Ms. DeHamel moved that the Board adopt Resolution 2016-25, granting conditional final approval to Community Vision, Inc., for an OFA SNAP Bond in an amount not to exceed \$4,500,000 and requesting that the State Treasurer consider issuing the bond when the conditions were satisfied. Mr. Fernandez seconded the motion and Resolution 2016-25 was unanimously approved.

Consideration of Preliminary Approval for the Application of an OFA Traditional Bond for St. Mary's of Medford, Inc. dba St. Mary's School in an approximate amount of \$14,000,000.

Mr. Brad Olsen, Head of Finance, Mr. Frank Phillips, President/ Head of School, and Ms. Kris Cebull, Financial Advisor (appearing by telephone) to the Applicant, appeared on behalf of the Applicant. Ms. Andrea de la Fuente, Vice President, (appearing by telephone) and Chris DuBose of US Bank, N.A. (the "Bank") attended the meeting to assist in the presentation of the application.

Mr. Phillips presented the Board with background of the Applicant and the project. Presentation materials are available upon request. The Applicant is third oldest school in Oregon, and provides a co-ed college preparatory education for grades five through 12. In 1972, the Applicant became a nonprofit corporation that is largely independent of the Catholic Church. The Applicant has been the recipient of several awards for its school curriculum and its college admission rate of 100%. Enrollment has increased each year and is currently at 460 students, with planned growth to 550. During the summer months the facilities are used for summer camp science programs and these programs are extremely well attended due to the proximity of the facility to natural landmarks in Oregon.

The purpose of the financing is to refinance an existing loan that allowed the Applicant to purchase its current facility (approximately \$3,000,000), and to construct and equip a two-story building that will house a cafeteria and STEM Center, as well as a dormitory. At present, a concession stand is the only place for people to get food on campus and is not well equipped to handle demand. The new cafeteria will serve as a place for students, faculty, staff and visitors to gather at lunchtime, solving not only the "food problem" but also helping build community. The STEM center will help meet existing demand for science classes; currently, the science labs are over-crowded and scheduling science classes is difficult. The STEM Center will offer new and additional science programs to meet increasing demand in the science and robotics programs.

Part of the project includes assistance to grow the international program. Currently all international students live in leased dormitory space at Southern Oregon University. The dormitory project will be able to house 65 international students.

The total project cost is about \$17,200,000, of which the Applicant will contribute \$3,720,000 through an equity contribution.

Ms. de la Fuente presented the proposed financing details. The financing will be structured as a tax-exempt direct bond purchase by the Bank in the amount of approximately \$13,500,000. The funds will be used to refinance the existing \$2,900,000 term loan and for \$10,500,000 in new money to be

funded on a draw down basis as needed for construction. The initial term is seven years, with an amortization period of 25 years. There will be an initial interest-only period of 18 months to accommodate construction. The Applicant intends to hedge all or a portion of the variable rate with a swap and will engage a swap advisor. The Bank is currently in the underwriting stage. Final credit approval is expected by next week, and the Bank doesn't foresee any issues in that process. One of the closing conditions for the Bank is that the Applicant obtain \$2,500,000 in its capital campaign.

Bond Counsel's report is included in the materials. Bond Counsel completed some preliminary due diligence and visited the campus during the summer of 2016. Mr. Schrader reported that the Applicant appears to be a qualified institution and the proposed use of the facility appears to meet the federal and state qualifications for OFA tax exempt financing, even with the Applicant's status as an "independent Catholic school." If preliminary approval is given, this would be confirmed during due diligence. The Applicant has a financial advisor and will engage a swap advisor. Mr. Schrader recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reviewed the application and discussed the role of the financial advisor to the Applicant. Mr. Clancy spoke at length with the Applicant about the hedge provision, which is under negotiation. The Applicant is working with the Bank and its financial advisor to develop derivative policy which will be in place prior to final approval. Mr. Clancy recommended the transaction for preliminary approval.

The Executive Director's report is included in the materials. Ms. Griffith welcomed the Applicant to OFA. She summarized the statutory concerns with religious institutions and confirmed that she and Bond Counsel had discussed this issue, along with the due diligence process, with the Applicant. She observed that this is an experienced financing team and a reasonable timeline for closing (end of February or March). Ms. Griffith recommended the transaction for preliminary approval.

The Board questioned the Applicant on issues relating to the swap. The Board raised concerns that the Applicant may not fully contemplate the complexities of a swap as compared to its potential benefits. The Board and OST requested that the Applicant focus its attention on the advantages and disadvantages of the swap, and be prepared at the meeting for final approval to discuss these issues. In particular, OST requested that the Applicant report to the Board on the impact of the swap if interest rates were to rise 50 - 100 basis points within three years, and also the Applicant's plan for exiting the swap.

After discussion, Ms. deHamel moved that the Authority adopt Resolution 2016-26, granting preliminary approval to St. Mary's of Medford, Inc. dba St. Mary's School for an OFA Traditional Bond in the approximate amount of \$14,000,000. Mr. Fernandez seconded the motion and Resolution 2016-26 was unanimously approved.

Approval of Minutes

The minutes of the meetings of September 12, 2016 and October 14, 2016, were unanimously approved. The Board approved the minutes of September 20, 2016, on the condition that the date indicated in the introductory paragraph is corrected. Mr. Johansen abstained from the vote.

Other Updates

Discussion of OFA's Current Rules for Rated Bonds

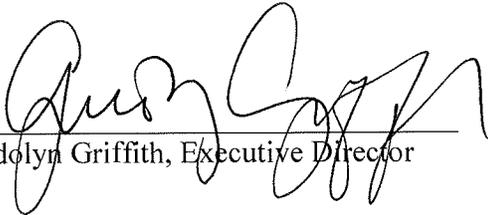
Mr. Clancy made a presentation that summarized OFA's current rules relating to publicly issued bonds, and presented examples of these transactions. Ms. Griffith explained that she intended to include additional material on OFA's rules and the markets for OFA bonds in each of the upcoming Board meetings.

Oregon Bond Calendar and Other Items – Informational Only

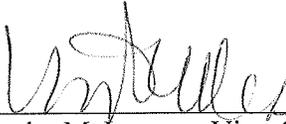
The Board agreed to return to Coos Bay on September 11th for the offsite meeting. The planning session and board meeting is scheduled to take place on May 8th. Linfield College was proposed as a potential location. Ms. Pham will reach out to coordinate scheduling of the offsite planning session.

Mr. Hubert asked for any public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:50 p.m.



Gwendolyn Griffith, Executive Director



Martha McLennan, Vice-Chair

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