

Oregon Facilities Authority

Minutes of Meeting of March 13, 2017

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on March 13, 2017, 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 Vice-Chair Martha McLennan and Members Beth deHamel (via telephone), Karen Weylandt (via telephone), Javier Fernandez, J. Kevin McAuliffe 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 and Doug Goe of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Alice Bibler (via telephone) and James Sinks (via telephone) of the Office of the State Treasurer ("OST"); David Elott, Oregon Department of Justice ("DOJ"); and Ms. Nikki Pham, Executive Assistant to the Authority.

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

Bond Transaction Updates

Bond Counsels updated the Board on the status of pending transactions.

Lead Bond Counsel addressed the material event notice from Concordia University. Mr. Schrader explained that the borrower failed to comply with certain coverage ratio covenants relating to its OFA 2010 fixed rate bonds. Its plan is to defease these bonds. The Board requested that Lead Counsel provide additional detail on how bond covenants are enforced and outline the process for identifying covenant defaults on OFA bonds.

Introduction of Mr. David Elott

Ms. Griffith introduced Mr. Elott to the Board and advisors as the new Assistant Attorney General representing OFA. The Board welcomed Mr. Elott to the Authority.

Other Business

Ms. Pham reminded the Board of their obligations to complete the Statement of Economic Interest forms by April 15th. Board members will receive an email with notice to complete the forms within 30 days. Any questions regarding these forms should be directed to Ms. Pham.

Ms. Griffith requested input from the Board on the agenda for the annual Planning Session, which is scheduled to be held in May at Linfield College in McMinnville, and confirmed that May 8 was the date for this meeting. As usual, a business meeting to consider bond applications will precede the planning meeting.

Presentation by Mr. Clancy – Bank Loans versus Private Placements

Mr. Clancy led a discussion regarding the differences between bank loan financing (SNAP bonds and traditional bond direct placement bonds) and private placement bond transactions. Examples of each were discussed. Mr. Clancy provided details on the requirements for each type of transaction, including disclosure, terms and restrictions, regulation, and the secondary market for each. Mr. Clancy recommended that the Board consider renaming the SNAP Bond program as a "SNAP Loan program," based on the nature of the transaction and the need for clarifying the type of regulation the SNAP transactions are subject to. Mr. Schrader agreed and summarized borrower and regulator concerns over the potential confusion with using the term "bond". The Board agreed to consider the change in nomenclature, and requested that Mr. Elott advise the Board whether such a change was acceptable under OFA's statute. Ms. Griffith will confer with OST on the issue.

Approval of Minutes

The Minutes of the meeting of January 9, 2017, were unanimously approved.

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 Preliminary Approval for the Application of an OFA SNAP Bond for Montessori School of Beaverton, Ltd. in an approximate amount of \$2,650,000.

Ms. Cathy Swan, Head of School, and Mr. Jeffrey Petrillo, Treasurer of the Board of Directors, appeared on behalf of the Applicant. Ms. Kathy Swift of Pacific Continental Bank (the "Bank") attended the meeting to assist in the presentation of the application.

Ms. Swan described the Applicant and the project. Her presentation materials are available upon request. The Applicant is an established Montessori learning community providing childhood education from pre-school to sixth grade. The school is located on six acres of on a beautiful, natural campus in Washington County, Oregon. It has been operating for over 40 years and has approximately 175 students.

The project is the expansion of the administrative building and construction of common meeting space for family participation and events. Construction is expected to be completed by December, 2017. The total SNAP loan amount requested is \$2,650,000. A portion of the SNAP loan will consist of construction costs of the project of approximately \$1,550,000. The remaining \$1,100,000 will pay off an existing loan that was initially secured for the purpose of acquiring the land and constructing the existing facility. The existing loan facility includes a swap.

Mr. Petrillo provided information regarding the financial condition of the Applicant and its capacity for handling the SNAP bond obligations. He clarified that the Applicant will terminate the existing swap as part of this transaction.

Ms. Swift presented the proposed financing details. The financing will be structured as a 25-year loan that will fully amortize after an initial 18-month interest-only draw period. It will have an initial rate that will be fixed for 10 years, with call options and repricings on the 10th and 20th year anniversaries. Through this financing, the Applicant is expected to receive an estimated cost savings of approximately \$417,000.

Bond Counsel's report is included in the materials. Ms. McCoog summarized the two scoping calls and 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. Based on the information provided by the Applicant, Bond Counsel will focus diligence on confirming the ability to use SNAP loan proceeds for swap termination payments and the original loan used for capital projects. Ms. McCoog recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy summarized the call with the Applicant and commented that the Applicant has an experienced team to handle the transaction and appears to be aware of the implications of the SNAP bond structure. He noted for the Board that the financials have been audited and that debt service payments look to be able to be made without difficulty. Mr. Clancy recommended the transaction for preliminary approval.

The Associate Executive Director's report is included in the materials. Ms. Morgan welcomed the Applicant to OFA. She summarized the scoping calls and reviewed the proposed schedule. Ms. Morgan recommended the transaction for preliminary approval.

The Board questioned the Applicant on issues relating to the swap on the original loan transaction. Mr. Petrillo reflected on the history of the swap, and his belief that its complexities have created difficulties for the Applicant over the years. The Board thanked the Applicant for sharing its perspective and information regarding swap transactions.

After further discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-2, granting preliminary approval to Montessori School of Beaverton Ltd. for an OFA SNAP Bond in the approximate amount of \$2,650,000. Mr. McAuliffe seconded the motion and Resolution 2017-2 was unanimously approved.

Consideration of Conditional Final Approval for the Application of an OFA SNAP Bond for Morrison Child and Family Services in an amount not to exceed \$1,600,000.

Ms. Katherine Kennedy, Chief Financial Officer, and Mr. Drew Henrie-McWilliams, Chief Executive Officer, appeared on behalf of the Applicant. Ms. Kathy Swift of Pacific Continental Bank (the "Bank") attended the meeting to assist in the presentation of the application.

Mr. Henrie-McWilliams described the activities of the Applicant, and his presentation materials are available upon request. The Applicant has provided substance abuse and mental health treatment and prevention services for over 70 years to approximately 6,000 youth in Multnomah County and at several locations throughout the state. Ninety-nine percent of the youth are Oregon Health Plan participants and 40% are in foster care.

Ms. Kennedy described the proposed project as (1) a \$1,600,000 total facility to be used for the purpose of refinancing a prior SNAP bond in the amount of approximately \$550,000, and (2) a \$1,100,000 construction loan for the purpose of making structural improvements to the existing facility. The construction improvements are expected to be completed by June 2017.

Ms. Swift presented the proposed financing details. The financing will be structured as a 25-year loan that will fully amortize and will have an initial rate that will be fixed for 10 years, with call options and repricings on the 10th and 20th year anniversaries. This financing structure is different from standard the Bank SNAP loan structure in that the funds on the construction loan will be fully disbursed at closing. The Bank has no concerns with this structure or the Applicant.

Bond Counsel's report is included in the materials. Ms. McCoog reported that the transaction seems to be straightforward and without complications. Upon approval, Bond Counsel will begin due diligence to confirm this borrower's tax exempt status, that previously borrowed proceeds were used for capital purposes, and that there will be no private use. The Applicant is a familiar borrower to OFA and the financing team is experienced with the process. Ms. McCoog recommended the transaction for conditional final approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reported to the Board on the discussions with the Applicant. The terms discussed in the initial call are substantially the same as presented at the meeting. Mr. Clancy believes the Applicant to be knowledgeable of the SNAP bond structure and understands the effects of the financing on the Applicant's financials. Mr. Clancy recommended the transaction for conditional final approval.

The Executive Director's report is included in the materials. Ms. Griffith welcomed the Applicant back to OFA and observed that the Applicant is seeking conditional final approval. She summarized the scoping calls and reviewed the proposed schedule. She noted for the Board that this is a familiar borrower to OFA that has closed several SNAP bonds. An experienced financing team is in place. She recommended the transaction for conditional final approval.

After discussion, Ms. McLennan moved that the Authority adopt Resolution 2017-3, granting conditional final approval to Morrison Child and Family Services for an OFA SNAP Bond in an amount not to exceed \$1,600,000 and requesting that the Office of the State Treasurer consider issuing the bond when the conditions have been met. Mr. McAuliffe seconded the motion and Resolution 2017-3 was unanimously approved.

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 2:37 p.m.


Gwendolyn Griffith, Executive Director


Martha McLennan, Vice -Chair

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