

Oregon Facilities Authority

Minutes of Meeting

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held May 8, 2017, commencing at approximately 10:00 a.m. at Linfield College, Melrose Hall, Jonasson Room, 900 SE Baker Street, McMinnville, Oregon.

Authority Members participating during the meeting were: Chair Sean Hubert and Vice-Chair Martha McLennan, and Authority Members Beth deHamel, Eric Johansen, Karen Weylandt and Kevin McAuliffe (collectively referred to herein as the "Board").

Oregon State Treasurer Tobias Reed, Laura Lockwood-McCall and Lee Anaya of the Office of the State Treasurer ("OST") attended the meeting. Participating to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority, Jessica Morgan, Associate Executive Director of the Authority; Nikki Pham, Executive Assistant to the Authority; Douglas Goe and Michael Schrader of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Carol McCoog, of Hawkins, Delafield and Wood LLP, SNAP and Special Bond Counsel; James Shannon of Mersereau Shannon, Special Bond Counsel; Oregon State Treasurer Tobias Reed; Lee Anaya and Laura Lockwood-McCall of the Office of the State Treasurer ("OST"); Pat Clancy, Western Financial Advisors, Financial Advisor to the Authority; and Assistant Attorney General David Elott, Oregon Department of Justice.

Chair Hubert called the meeting to order and presented the notice of meeting. He conveyed his thanks to Linfield College for making its facilities available to OFA. Ms. Lockwood-McCall introduced Treasurer Reed, who thanked the Board Members for their work for OFA and expressed his appreciation for OFA's work with Oregon nonprofits.

OFA Planning Session

Ms. Griffith offered an overview of OFA's three functions vis-à-vis Treasury and reviewed OFA's key performance indicators during the past five years. She then presented several ideas for new initiatives in the upcoming year. The Board expressed support for these ideas, and asked Ms. Griffith to provide additional information as part of the 2017-2018 budget to be discussed at the June, 2017, meeting. Ms. Griffith's presentation slides are available upon request.

Treasurer Reed left the meeting. After a short break, the Board reconvened for a working lunch at Dillin Hall. The Board discussed upcoming contract renewals for the OFA advisors. Ms. Lockwood-McCall described her office's desire to issue an RFP for financial advisor services, structuring those services differently than in the past. Mr. Johansen agreed to serve along with Ms. Griffith and OST representatives on the committee to manage the RFP.

After a short break, the Board reconvened at the Jonasson Room. Mr. Hubert facilitated a discussion of OFA and OST's interest in adjusting its approach to public offerings to assist continuing care retirement communities. Many retail bond transactions in this sector either are

not rated or the ratings do not meet OFA's administrative rules for these offerings. The group discussed the approach of the Wisconsin Public Finance Authority with respect to these types of transactions. It further discussed whether certain transactions could be identified with objective and reliable risk measures without having OFA engage in credit underwriting or being seen as "approving" the underlying transaction. OST requested that OFA staff provide additional information regarding these issues.

Ms. deHamel left the meeting. After a short break, the Board reconvened for the business meeting.

Approval of Minutes

The Minutes of the meeting of April 10, 2017, of the Authority were unanimously approved.

SNAP Bond Nomenclature Approval

Ms. Griffith directed the Board's attention to the memorandum in the agenda book, and summarized the previous discussion of the issue of the change in name from "SNAP Bond" to "SNAP Loan." Mr. Elott offered his view that the Board could choose to change the nomenclature before formally reflecting the change in the OFA administrative rules. Staff clarified that this change would not be fully implemented until after the three current OFA transactions (Morrison Child and Family Services, Montessori School of Beaverton and Swallowtail School, Inc.) were closed, i.e., those transaction documents would reflect the terms "SNAP Bond."

With there being no further discussion by the Board, Mr. McAuliffe moved to adopt the following resolution:

"The name of the OFA program, "Small Nonprofit Accelerated Program Bonds," commonly referred to as "SNAP Bonds," is changed to "Small Nonprofit Accelerated Program Loans," or "SNAP Loans," and OFA staff is instructed to implement the name change throughout OFA's marketing and program materials."

Ms. McLennan seconded the motion and the resolution was unanimously approved by the Board.

The Board then discussed whether to make a similar change to direct bank placements in the Traditional Bond program. Mr. Elott commented that the analysis is the same for the Traditional Program and the SNAP Program, with respect to the OFA rules and statutes. Bond Counsel explained that the change in the Traditional Program should allow for flexibility because direct placements can be classified as either a loan or a bond; how the parties wish to classify a transaction is not determinative as to the transaction's status for securities law purposes. The Board asked Ms. Griffith to review the various documents and marketing materials in which the Traditional Bond program is described and to provide the Board with potential areas in which direct placements could be clarified in terms of a loan rather than a bond.

Consideration of preliminary approval for the application for an OFA SNAP Bond for Swallowtail School, Inc. in an approximate amount of \$2,482,000.

Ms. Cher Levendosky, Administrator, and Ms. Michalina Markowitz, Finance Manager, appeared on behalf of the Applicant. Mr. Greg Oakes of Premier Community Bank appeared by telephone to assist in the presentation.

Ms. Markowitz described the Applicant's mission, core values and history. Her presentation materials are available upon request. The Applicant is an independent, non-profit school newly located in Cornelius, Oregon. It has been operating for 22 years as a Waldorf school and currently serves 155 students, from kindergarten to eighth grade. One of its unique characteristics is that it owns a farm that it uses as part of its curriculum.

The project is the refinance of a loan made by Premier Community Bank in 2016 that enabled the Applicant to purchase a 32,000 square foot building in Cornelius, Oregon, with an additional 4,000 square feet of unfinished space for potential expansion in the future. The new building offers 16 classrooms, administrative offices, a kitchen, library, and science room, along with common spaces, on 6.5 acres.

The total SNAP Bond amount requested is \$2,482,000. The financing plan calls for extension of the maturity date on the loan from seven to 15 years, retaining a call at 7 years and repricing five and ten years from the date of the OFA refinancing. The interest rate will be reduced to 76.8% of the original rate (the new rate is estimated at 3.62%). The existing loan is guaranteed under a State program, and that guarantee is expected to continue for the OFA SNAP Bond.

Mr. McAuliffe welcomed the Bank to OFA, as this was the first transaction for Premier Community Bank.

Bond Counsel's report is included in the materials. Ms. McCoog summarized the issues raised on the scoping call 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, in addition to the usual issues, on the State guarantee. Ms. McCoog recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy summarized his conversations with the Applicant in 2016 and more recently upon application to OFA. He commented that this is an unusual transaction due to the State guaranty, but that the Applicant has an experienced team to handle the transaction and appears to be aware of the implications of the SNAP Loan structure. Mr. Clancy recommended the transaction for preliminary approval.

The Executive Director's report is included in the materials. Ms. Griffith welcomed the Applicant and Bank to OFA. She reported on the various discussions she has had with the Applicant and Bank and reviewed the timeline for closing in July 2017. Ms. Griffith recommended the transaction for preliminary approval.

After discussion, Ms. McLennan moved that Resolution 2017-6 be approved, granting preliminary approval for the application by Swallowtail School, Inc., for an OFA SNAP Loan in an approximate amount of \$2,482,000. Mr. McAuliffe seconded the motion. Resolution 2017-6 was unanimously approved.

Other Items and Public Comment:

Mr. Hubert asked for any other matters for the Authority, and for public comment. There were no additional items for discussion, nor was there any public comment.

There being no further business to come before the meeting, the business meeting was adjourned at approximately 3:45 p.m. Some members of the Board, OST representatives, and the OFA advisors then met informally with faculty and administrators of Linfield College to learn about the College's new initiatives to serve the wine industry and provide education to students and others interested in this industry. No OFA business was conducted during this part of the meeting.


Gwendolyn Griffith, Executive Director


Sean Hubert, Chair

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