

Oregon Facilities Authority

Minutes of Meeting of

January 9, 2017

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on January 9, 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: Vice-Chair Martha McLennan and Members 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 Steve White of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Lee Anaya (via telephone) and James Sinks (via telephone) of the Office of the State Treasurer ("OST"); and Cynthia Byrnes, Oregon Department of Justice ("DOJ"); and Ms. Nikki Pham, Executive Assistant to the Authority.

Vice-Chair Martha McLennan called the meeting to order and presented the notice of meeting.

Approval of Minutes

The Minutes of the meeting of December 12, 2016, were unanimously approved.

Executive Director's Reports

Ms. Griffith directed the Board's attention to the Bonding Report and the General Report. Bond Counsel updated the Board on the status of pending transactions, and Ms. Griffith described her conversations with several potential borrowers. Ms. Griffith further updated the Board on the status of bonding authority and the project of cleaning up rules and legislation relating to the status of the Authority to engage its vendors. Ms. Griffith informed the Board that the annual planning session would be held 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 from Mr. Clancy – Purchasing Bonds and Investors

Mr. Clancy provided the Board with background on how bonds are sold to the retail public market and the related OFA rules for selling to investors. Mr. Clancy reviewed different types of investors involved in public bond offerings and other offerings – retail (no restrictions), qualified institutional buyers (QIBs), institutional, sophisticated, accredited, etc. – and the implications of that status for OFA's bond offerings. Mr. Schrader assisted Mr. Clancy with explaining the Oregon rules regarding OFA credit rating requirements for bond offerings offered to retail investors, and how those investors differ from other types of investors. The Board discussed rating thresholds and oversight for transactions on the secondary market. The Board requested additional information from DOJ, specifically to whether OFA's rules were updated to reflect the definition of QIBs. The Board

further requested more information on the similarities of OFA's rules to those of other state authorities.

Website Development Update

Ms. Morgan and Mr. Sinks provided the Board with an update on the status of website development. Software will be installed to conform to ADA requirements. The unveiling of the website is scheduled for the March meeting.

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.

Ms. deHamel disclosed that she is a board member of Care Oregon, a nonprofit corporation that is a counterparty to certain OCHIN contracts. After discussion, OFA's Assistant Attorney General observed that membership on a board of a nonprofit organization does not typically generate conflicts of interest that require a board member to recuse herself from discussion of a transaction.

Consideration of Preliminary Approval for the Application of an OFA Traditional Bond for OCHIN, in an approximate amount of \$11,200,000.

Mr. Sean Whiteley-Ross, Chief Financial Officer, and Mr. James Maldonado, Corporate Counsel, appeared on behalf of the Applicant. Ms. Andrea de la Fuente, Vice President (appearing by telephone), and Mr. Kyle Hanson of US Bank, N.A. (the "Bank") attended the meeting to assist in the presentation of the application.

Mr. Whiteley-Ross and Mr. Maldonado presented the background of the Applicant and the project. Their presentation materials are available upon request. The Applicant is a nonprofit healthcare innovation center designed to provide technology solutions to assist in the improvement of patient healthcare assistance and reduce the cost of healthcare IT through relationships with healthcare clinics. Specifically, the Applicant contracts with the vendor of the EPIC electronic health records system and makes that system available to federally qualified health clinics and other public and nonprofit agencies, not only in Oregon, but also throughout the United States. Some of the healthcare clinics maintain board positions within OCHIN.

The purpose of the financing is to provide funding to allow the Applicant to purchase the facility it has been leasing for the past four years and where it conducts its activities. The total purchase price of the facility is \$14,000,000. A portion of the acquisition price will come from an equity contribution in the amount of \$2,800,000 and the remaining \$11,200,000 will come from the OFA bond proceeds. The building currently houses the Applicant's headquarters, although it expects that with the rapid growth it has been experiencing, it may need to expand in five years.

Mr. Hanson 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 \$11,200,000. The initial term is five years, with an amortization period of 20 years. The Applicant intends to hedge all or a portion of the variable rate with a swap and is comfortable that it will be able to manage internally the complexities of swap reporting.

Bond Counsel's report is included in the materials. Mr. Schrader summarized the scoping call and the atypical nature of the Applicant's 501(c)(3) status. Bond Counsel has begun tax due diligence 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. Bond Counsel will focus on the interest rate swap terms along with its other work. Mr. Schrader recommended the transaction for preliminary approval.

The Financial Advisor's report is included in the materials. Mr. Clancy reviewed the financial situation of the Applicant with respect to ongoing lease payments versus a loan payment. He commented on the Applicant's proposed hedge structure, and noted that the Applicant has not yet engaged a swap advisor and has not yet adopted a swap policy. The Applicant is working with the Bank to develop a derivative (swap) 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 scoping call and reviewed the proposed schedule. Ms. Griffith recommended the transaction for preliminary approval.

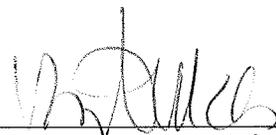
The Board questioned the Applicant on issues relating to the swap. The Board raised concerns that the Applicant may not fully appreciate the complexities of a swap as compared to its potential benefits in a transaction of this size. The Board and OST requested that the Applicant focus its attention on the advantages and disadvantages of the swap, and be prepared at the meeting for final approval to discuss these issues. OST requested that the borrower provide an analysis on potential savings between a fixed rate and a variable rate with a swap prior to the meeting for final approval.

After discussion, Ms. deHamel moved that the Authority adopt Resolution 2017-1, granting preliminary approval to OCHIN for an OFA Traditional Bond in the approximate amount of \$11,200,000. Mr. McAuliffe seconded the motion and Resolution 2017-1 was unanimously approved.

Ms. McLennan asked for any public comment. There was none.

There being no further business to come before the meeting, the meeting was adjourned at approximately 2:10 p.m.


Gwendolyn Griffith, Executive Director


Martha McLennan, Vice-Chair

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