

Oregon Facilities Authority

Minutes of Meeting of

June 12, 2017

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on June 12, 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 Authority Members Karen Weylandt, 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; Nikki Pham, Executive Assistant to the Authority; Pat Clancy of Western Financial Group, Financial Adviser; Carol McCoog of Hawkins Delafield & Wood LLP, SNAP and Special Bond Counsel; Michael Schrader and Kevin White of Orrick, Herrington and Sutcliffe LLP, Lead Bond Counsel; Laura Lockwood-McCall of the Office of the State Treasurer ("OST").

Chair Sean Hubert called the meeting to order and presented the notice of meeting. Mr. Javier stated that he was representing himself throughout the OFA meeting, and his views did not reflect those of any institution.

Approval of Minutes

The Minutes of the meeting of May 8, 2017, were unanimously approved, subject to correction of a grammatical error on page 3.

Executive Director 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 informed the Board of the upcoming transactions for the next few months and requested that Board members to provide their calendars to Ms. Pham so that she can maintain an accurate count for quorum purposes.

Recognition of Javier Fernandez

Mr. Fernandez reported to the Board that he was resigning from OFA because he has accepted a position in Omaha, NE with a public utility. On behalf of the Authority, Mr. Hubert thanked Mr. Fernandez for his many contributions to OFA and the Board during his three years of service. Ms. Lockwood-McCall echoed Mr. Hubert's appreciation. Each Board Member and OFA staff

then offered their individual thanks to Mr. Fernandez for his friendship and contributions to OFA's work over the years. They also offered him a few tips for living in Omaha.

Mr. Fernandez expressed his appreciation for OFA and its Board Members and staff, and thanked OST for the opportunity to serve OFA. He has truly enjoyed working with everyone.

Business Matters

Ms. Griffith proposed that the annual out-of-metro-area OFA meeting be held on September 11, 2017, in Coos Bay. The Board approved the meeting date and location. Ms. Pham will be in contact with further details.

Ms. Griffith reported on a covenant default in the transaction involving Luke Dorf, Inc. (a two-time OFA borrower) and Pacific Continental Bank. Luke Dorf borrowed \$4.84 million in 2015 to refinance existing debt and take on new debt. The Bank contacted OFA to ask what additional steps (if any) OFA and OST desired the Bank to take with respect to this covenant default.

The Bank provided the following details to OFA staff:

- there is no payment default, and none is anticipated due to the borrower's significant cash reserves;
- the borrower had experienced a significant cost overrun on the construction project, and its CFO had departed suddenly, and these events had a negative impact on both the borrower's financial condition and capacity in the accounting function;
- the Bank believes the borrower has implemented a good plan to return to covenant compliance in 2018;
- internally, the Bank will be increasing the borrower's reporting requirements to monthly reports, from the quarterly reports currently required in the loan documents; and
- the Bank is unlikely to seek a covenant adjustment.

After discussion, the Board requested that staff (i) engage Mr. Clancy to scrutinize the situation to report to the Board whether OFA could have recognized any red flags prior to approving the transaction; (ii) request quarterly reporting from the Bank and borrower until the covenant default is cured; and (iii) keep the Board informed.

OST observed that covenant defaults are rare in SNAP transactions and no SNAP transaction has experienced a payment default.

Consideration of Budget FY 2017-18

Ms. Griffith directed the Board's attention to the proposed 2017-2018 budget included in the agenda book, and her budget memo. The Board reviewed the materials and discussed proposed fluctuations to the amounts noted in the ED Services, FA Services (based on RFP), OST, Outreach – healthcare and other info sessions. The Board discussed the new programmatic

proposals raised at the planning session. Mr. Fernandez cautioned staff that these should be "pilot" programs and should not detract from OFA's core mission. Ms. Weylandt made a motion to approve the budget as proposed. Ms. McLennan seconded the motion, and the motion was unanimously approved.

The Board took a brief recess to change rooms and reconvened at approximately 1:10 p.m.

Consideration of Final Approval for the Application by Montessori School of Beaverton Ltd. for an OFA SNAP Loan in an amount not to exceed \$2,077,500.

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

Mr. Petrillo reviewed the project status and reported on how the project has progressed since preliminary approval was received in March 2017. The Applicant encountered several unexpected hurdles: the appraisal value was lower than expected due to the lack of buildable land; the contractor's price was higher than expected due to summertime construction demands; the merger of the Bank into Columbia Bank resulted in changes in the Bank personnel attending to the loan. The Applicant contributed additional capital to adjust for the increased costs and reduced loan amount. The Applicant is ready to close the transaction and begin construction.

Ms. Swan thanked the Board and OFA on the assistance in making the transaction move smoothly despite the bumps in the road.

Mr. Bridge reported on behalf of the Bank that all documents are in final form and "all systems are go." He reiterated the Bank's support of the SNAP Program and assured the Board and OST that Columbia Bank would be equally supportive of the program.

Bond Counsel's report is included in the materials. Ms. McCoog observed that the transaction has moved forward smoothly, and that tax and §501(c)(3) due diligence has been completed. She reported that the bond documents are in substantially final form and recommended the transaction for final approval.

The Associate Executive Director's report is included in the materials. Ms. Morgan confirmed that this has been a remarkably smooth transaction considering all of the impediments the Applicant faced. Ms. Morgan reported that no public comments were received at the TEFRA hearing. She recommended this transaction for final approval, with closing expected at the end of June.

After discussion, Mr. Fernandez moved that the Authority adopt Resolution 2017-7, granting final approval to Montessori School of Beaverton Ltd. for an OFA SNAP Loan in an amount not to exceed \$2,077,500, and requesting that the Office of the State Treasurer consider approving the transaction for closing. Ms. McLennan seconded the motion and Resolution 2017-7 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 1:28 p.m.

Sean Hubert, Chair

Gwendolyn Griffith, Executive Director

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