

Oregon Facilities Authority

Minutes of Meeting of

May 14, 2018

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on May 14, 2018, commencing at approximately 12:00 p.m. at 888 SW Fifth Avenue, Suite 1600, Portland, Oregon.

Authority Members participating in the meeting (in person, unless otherwise indicated) were: Chair Martha McLennan, Vice-Chair Eric Johansen, and Authority Members Beth deHamel, Karen Weylandt, J. Kevin McAuliffe (on the phone) and Allyson Anderson (beginning at 1 pm).

Participating in the meeting to assist the Authority were: Gwendolyn Griffith, Executive Director of the Authority; Duncan Brown of PFM, Financial Adviser; Carol McCoog of Hawkins Delafield & Wood LLP, SNAP Loan and Special Bond Counsel, Michael Schrader and Douglas Goe of Orrick, Herrington and Sutcliffe LLP (on the phone), Lead Bond Counsel; Laura Lockwood-McCall and Lee Anaya of the Office of the State Treasurer ("OST"); and Assistant Attorney General Steven Marlowe, Oregon Department of Justice ("DOJ").

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

Executive Director Reports

Ms. Griffith directed the Board's attention to the Bonding Report and General Report, both of which were included with the materials. Ms. Griffith highlighted a recent presentation made to Columbia Bank about SNAP Loans, and plans for a similar presentation to U.S. Bank. SNAP Loan and Special Bond Counsel described a potential project with Willamette United soccer club, identifying potential issues of private use as a result of sponsorship and naming rights. The Board followed up on prior discussion of H.R. 5003, a federal bill that would restore the ability for nonprofits and state/local governments to advance refund tax-exempt municipal debt, and queried if OFA should write a letter to Oregon's congressional delegation similar to the one written by the Oregon Municipal Debt Advisory Commission. Ms. Lockwood-McCall shared it would be appropriate. The Board requested that Ms. Griffith write a letter for the Board Chair and Vice-Chair to sign.

Approval of Minutes

Mr. Johansen suggested one edit to the second page, last sentence of the third paragraph, to change "*10 years*" to the actual term of the bond, which Ms. Griffith will confirm. The Minutes of the meeting of April 9, 2018, as corrected, were unanimously approved.

Discussion of OFA Administrative Rules

Mr. Schrader provided summary of the administrative rules that prevent sales to individual investors unless the bonds have received an investment grade rating or in some situations have

received two ratings. A discussion ensued on the OFA policy and history of sales to individual investors and various protections that have been used or suggested. No decisions were made.

The Board took a brief recess and reconvened at approximately 1:00 p.m. Ms. Anderson joined the meeting. Mr. Goe exited the meeting.

Consideration of Amendment of Resolution 2018-1, which granted Preliminary Approval to Northwest Housing Alternatives.

Ms. McLennan declared an actual conflict of interest for the transaction to be considered by the Authority. Ms. McLennan explained that she is the Executive Director of the Applicant, Northwest Housing Alternatives, Inc., and that she would neither be participating in the discussion nor voting on this matter. She asked the Vice-Chair, Mr. Johansen, to serve as Chair for this part of the meeting and he agreed to do so.

Mr. Steven McMurtrey, Housing Director, appeared on behalf of the Applicant to present the request. Ms. Kathy Swift of Heritage Bank, the sponsoring bank, appeared to assist with the presentation.

Mr. McMurtrey described the need for the amendment: Northwest Housing Alternatives has formed a single member LLC, Ever Onward Campus 2018 LLC, which will be the owner of the Project and the amendment changes the Applicant to be this LLC. His presentation materials are available upon request. Otherwise, the Project as approved remains the same.

Ms. Swift confirmed that the Project financing terms remain the same. The housing portion of the Project would likely close in May, and the financing team is hoping for a closing of the SNAP financing in July.

Ms. McCoog, SNAP Loan Counsel, reported that the Project is unaffected by the amendment and recommended the amendment be granted. She noted that the LLC is a disregarded entity for tax purposes so it still meets the SNAP requirements.

Executive Director Griffith observed that single member LLC structure is familiar to OFA given previous transactions. She recommended that the Board approve the amendment.

After discussion, Ms. deHamel moved that the Authority adopt Resolution 2018-3, amending Resolution 2018-1 which granted Preliminary Approval to Northwest Housing Alternatives for an OFA SNAP Loan. Ms. Anderson seconded the motion, and Resolution 2018-3 was unanimously approved.

Ms. McLennan did not participate in the discussion or the vote.

Mr. Johansen asked that Ms. McLennan resume her role as Chair, and she agreed to do so.

Reconsideration of Approval for the Application by Warner Pacific University for an OFA SNAP Loan in an approximate amount of \$5,200,000.

Mr. Steve Stenberg, Advisor to the President, and Mr. Douglas Wade, Vice President of Finance, appeared on behalf of the Applicant to present the application. Mr. Rorie Leone, Vice President, Washington Trust Bank, the sponsoring bank, appeared to assist with the presentation.

Mr. Stenberg and Mr. Wade shared the background on their RFP process and selecting Washington Trust Bank for participation in the program. They presented a revised application confirming that the scope of the Project remains the same: the refinancing of three existing loans with Bank of the West.

Mr. Leone presented the financing terms. The financing is proposed as a 10-year loan, amortized over 20 years.

Ms. Griffith recapped the pathway that this Application taken to date: conditional final approval was given in November, 2017, but the original sponsoring bank withdrew from participation. Given that history, and that this is a new sponsoring bank, the requested action is a preliminary approval. She recommended the transaction for preliminary approval.

Ms. McCoog observed that the previous conditional final approval did not result in the transaction getting well underway, except that a TEFRA hearing had been held in December. She described the diligence process that would be undertaken and recommended the transaction for preliminary approval.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-4, granting Preliminary Approval to Warner Pacific University for an OFA SNAP Loan in an approximate amount of \$5,200,000. Ms. deHamel seconded the motion, and Resolution 2018-4 was unanimously approved.

Consideration of Administrative Rule Waiver for the Application by Arco Iris Spanish Immersion School, which was previously granted Preliminary Approval.

Ms. Christa Billings, Board President and Mr. Robert Timmons, Board Treasurer, appeared on behalf of the Applicant to present the request. Mr. David Robertson of Lewis Young Robertson & Burningham, Inc., Financial Advisor to the Applicant, appeared to assist with the presentation. Ms. Jacqueline Shanes, Counsel to Hamlin Capital Management, LLC, appeared by phone.

Mr. Timmons presented the request for waiver, and Mr. Robertson explained how the structure of the purchase of the bonds by investors in the Hamlin structure resulted in a single point of contact with OST/OFA for the bonds. Their presentation materials are available upon request. Ms. Shanes directed the Authority's attention to her memorandum, included in the agenda book, and explained the structure of the Hamlin program, with particular attention to the \$500,000 minimum denomination and new CUSIP number for any bond withdrawn from that structure. The Authority discussed various aspects of the waiver request.

Mr. Brown reported on his conversations with the Applicant, Hamlin and members of the financing team.

Ms. Griffith reported on her conversations with the financing team. She noted that even if waiver is granted, several outstanding issues remain for resolution. She recommended granting of the waiver, and reported that if approval is given, the financing team would expect to seek final approval in June and an end-of-June or early July closing.

Ms. deHamel exited the meeting.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-5, granting to Arco Iris Spanish Immersion School a waiver of certain requirements of OFA's Administrative Rules to permit the Bonds (a) to be sold to individual accredited investors in minimum denominations of not less than \$25,000; provided, that such investors purchase and hold the Bonds through an account with Hamlin Capital Management, LLC (the "Hamlin Investors"); and (b) to be purchased by an investor that is not a Hamlin Investor, provided that such Bonds shall be held in minimum denominations of not less than \$500,000, and such Bonds are assigned a new CUSIP number. Ms. Anderson seconded the motion, and Resolution 2018-5 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 2:30 pm.

/s/ Martha McLennan
Martha McLennan, Chair

/s/ Gwendolyn Griffith
Gwendolyn Griffith, Executive Director

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