

Oregon Facilities Authority

Minutes of Meeting of

October 5, 2018

A duly called meeting of the Oregon Facilities Authority ("OFA" or the "Authority") was held on October 5, 2018, commencing at approximately 1:30 p.m. at 816 Black Oak Drive, Medford, Oregon.

Authority Members participating in the meeting (in person, unless otherwise indicated) were: Chair Martha McLennan, Vice-Chair Eric Johansen, and Authority Members J. Kevin McAuliffe (by telephone), Allyson Anderson, Sean Hubert and Roy Kim.

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

Chair McLennan called the meeting to order and presented the notice of meeting. She expressed her appreciation to St. Mary's School of Medford for hosting the meeting in one of its science labs and providing a tour of the facility after the meeting.

Consideration of Final Approval for the application by La Clinica del Valle Family Health Care Center, Inc. for an OFA SNAP Loan in an amount not to exceed of \$4,125,000.

Ms. Brenda Johnson, Chief Executive Officer, and Ms. Jill Borovansky, Chief Financial Officer, appeared on behalf of the Applicant. Mr. Darwin Parker, Vice President Public Finance (by telephone), and Mr. Bill Pritchett, Vice President / Senior Commercial Banking Relationship Manager, of Banner Bank, the sponsoring bank, appeared to assist with the presentation.

Ms. Borovansky reviewed the Project and Mr. Pritchett described the terms of the financing. The initial interest rate is 3.87%.

SNAP Counsel's report is included in the materials. Ms. McCoog reported the transaction had been quite straightforward, and the financing team had encountered no unusual issues. She reported that the transaction documents were in substantially final form and she recommended the transaction for final approval.

The Executive Director's report is included in the materials. Ms. Griffith recommended the transaction for final approval.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-14, granting final approval to La Clinica del Valle Family Health Care Center, Inc. for an OFA SNAP Loan in an amount not to exceed \$4,125,000 and recommending that the Office

of the State Treasurer consider closing the transaction. Mr. Hubert seconded the motion. Resolution 2018-14 was unanimously approved.

Consideration of Conditional Final Approval for the application by PeaceHealth for an OFA Traditional Bond in an amount not to exceed \$230,000,000.

Ms. Kim Hodgkinson, Executive Vice President & Chief Financial Officer, and Mr. Jeff Seirer, System Vice President, Financial Integrity & Controller, appeared by telephone on behalf of the Applicant to present the application.

Ms. Hodgkinson's slide deck is available upon request. She reviewed the key highlights of PeaceHealth's current operations and introduced the leadership team. She reviewed the recent financial results relating to utilization, profitability and capitalization. She then reviewed the Project, which has two components: (1) the refinancing of approximately \$146 million of letter-of-credit (LOC)-backed variable rate demand bonds (VRDBs) (OFA Series 2008A and Series 2008B) with new publicly offered LOC-backed VRDBs; and (2) the refinancing of \$75 million of OFA bonds (Series 2011A) with a direct bank purchase bond. Phase 1 would close in October, and Phase 2 in December, 2018.

Bond Counsel's Report is included in the materials. Mr. Blonde summarized the structure of the transaction and its current status. The financing team has been working for some time to prepare the transaction documents, and although these documents are not in substantially final form, they are fairly close. Bond counsel diligence has been underway for some time. Mr. Blonde recommended the transaction for conditional final approval.

The Financial Advisor's report is included in the materials. Mr. Brown reviewed the structure of the transaction (as reported above) and also reviewed the status of the ratings of the bonds. He reported that the transaction appears to meet the requirements of the OFA administrative rules, and he recommended the transaction for conditional final approval.

Ms. Griffith explained she has a conflict of interest because the law firm in which she is a partner provides legal representation to PeaceHealth in unrelated matters. As a result, she did not provide any recommendation relating to this transaction.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-15, granting conditional final approval to PeaceHealth for an OFA Traditional Bond in an amount not to exceed \$230,000,000, and recommending that the Office of the State Treasurer consider issuing the bonds when the conditions have been satisfied. Mr. Hubert seconded the motion and Resolution 2018-15 was unanimously approved.

Consideration of Preliminary Approval for the application by Child Advocacy Center, dba Kids' FIRST, for an OFA SNAP Loan in the approximate amount of \$1,815,000.

Ms. Sarah Stewart, Executive Director, and Ms. Megan Jones, Finance Director, appeared on behalf of the Applicant to present the application. Ms. Jamie Louie-Smith, Vice President,

Commercial Banking Officer, of Columbia Bank, the sponsoring bank, appeared to assist with the presentation.

Ms. Stewart explained the history and mission of the Applicant. Created in 1994, the organization provides a central location for a multidisciplinary team (MDT) approach to child abuse investigations, which eliminates the need for a child to be repeatedly interviewed about abuse by each individual agency. Kids' FIRST offers a warm, non-threatening environment where specially trained interviewers talk to children. The Project is financing for the purchase and remodeling of a stand-alone building to be owned and operated by the Applicant.

Ms. Louie-Smith summarized the financing terms, reporting that the Loan would have a .7917 tax factor. The first six months will be interest-only and then the Loan will be amortized over 25 years with the first interest reset date at the 10-year mark. The initial interest rate is expected to be 3.95%.

SNAP Counsel's report is included in the materials. Ms. McCoog reported that no unusual issues were identified on the scoping call for this transaction. The usual diligence process would be conducted, along with document preparation. Ms. McCoog recommended the transaction for preliminary approval.

The Executive Director's report is included in the materials. Ms. Griffith reported that, if the transaction were approved today, the Applicant would be expected to return in December for Final Approval and to close the transaction before the year's end. Ms. Griffith expected this to be a straightforward transaction, and recommended it for preliminary approval.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-16, granting preliminary approval to Friends of the Child Advocacy Center, dba Kids' FIRST, for an OFA SNAP Loan in an approximate amount of \$1,815,000. Ms. Anderson seconded the motion and Resolution 2018-16 was unanimously approved.

Consideration of Conditional Final Approval for the application by OSH Medford, LLC for an OFA Traditional Bond in an amount not to exceed \$28,000,000.

Mr. Stan Brading, President, appeared on behalf of the Applicant to present the application. Mr. Brading was assisted by the seller of the facility (which is also the prospective manager of the Project), Radiant Senior Living, represented by its President, Mr. James Guffee (by telephone) and Mr. David Young, Chief Financial Officer. Mr. Rick Lohr, Mr. Ogieva Guobadia (by telephone) and Ms. Romy McCarthy, of the underwriting firm, Piper Jaffray & Co., also appeared to assist with the presentation.

Mr. Brading described the Project, which the purchase of a senior living/memory care facility located in Medford, Oregon. His presentation materials are available upon request. The facility, known as "The Farmington Square Medford Community," is a 74-bed memory care facility. It consists of four buildings and an operation designed to provide a continuum of care services across various stages of memory- and dementia-related conditions. The Community operates on a monthly rental basis, as opposed to the entrance fee model typical of many traditional

continuing care retirement communities (CCRCs). According to the Applicant, approximately 10 residents are participants in the State's Medicaid Waiver Program. Mr. Brading and Mr. Young described the operational history of the Project, and the overall economic environment for memory care facilities.

Ms. McCarthy described the structure of the transaction, which will be a limited offering to qualified institutional buyers in three Series, two tax-exempt and one taxable. The tax exempt bonds will have a 35-year term with a fixed rate.

Bond Counsel's report is included in the materials. Mr. Blonde explained how this transaction came to OFA, having originally been submitted to a different issuer that does not have the staff to process it. He reviewed the current state of the transaction documents and the proposed schedule, which necessitated the Applicant requesting conditional final approval. He explained the limited offering nature of the transaction, and that the bonds will be secured by a pledge of the Applicant's gross revenues. The Applicant will also grant to bondholders a mortgage, lien and security interest on the facility being acquired with the proceeds of the Bonds. Mr. Blonde recommended the transaction for conditional final approval.

The Financial Advisor's report is included in the materials. Mr. Brown reviewed the limited offering nature of the transaction. He also explained that, while not required by the Oregon Administrative Rules for a limited public offering, the senior bonds are expected to have an investment grade rating from S&P Global Ratings, as this is typical in this particular industry. He recommended the transaction for conditional final approval.

Ms. Griffith explained she has a conflict of interest because the law firm in which she is a partner provides legal representation to the seller of the Project in the sale transaction. As a result, she did not provide any recommendation relating to this transaction.

Ms. Laura-Lockwood McCall described her recent conversations with the Applicant and OFA advisors. She recommended the transaction for conditional final approval.

After discussion, Mr. Johansen moved that the Authority adopt Resolution 2018-17, granting conditional final approval to QSH Medford, LLC for using OFA Traditional Bond in an amount not to exceed of \$28,000,000, and recommending that the Office of the State Treasurer consider issuing the bonds when the conditions have been satisfied. Ms. Anderson seconded the motion and Resolution 2018-17 was unanimously approved.

Consideration of Approval of the OFA/Oregon State Treasury Memorandum of Understanding.

Ms. Griffith explained the nature of the MOU between OFA and OST and the need for the agreement to be updated.

There being no further discussion, Mr. Hubert moved that the Authority approve the MOU. Ms. Anderson seconded the motion and the motion was unanimously approved.

The Authority deferred consideration of other business matters until the next meeting.

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 4:00 pm.

/s/ Martha McLennan

Martha McLennan, Chair

/s/ Gwendolyn Griffith

Gwendolyn Griffith, Executive Director

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