VEHBFA

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

Vermont Law School

Brattleboro Retreat

Champlain College

2011 Annual Report

Annual Report Table of Contents

Vermont Educational &
Health Buildings Financing Agency

February 24, 2012

Honorable Peter Shumlin and
Members of the General Assembly
State House
Montpelier, Vermont 05633

Dear Governor Shumlin and Members of the General Assembly:

Since its creation over forty-four years ago, the Vermont Educational and Health Buildings Financing Agency has been serving Vermont's non-profit healthcare and educational institutions by providing access to low cost financing. Pursuant to 16 V.S.A. §3862, it is our privilege to provide you with the Vermont Educational and Health Buildings Financing Agency 's 2011 Annual Report.

Becoming operational in 1969, the Agency has issued bonds totaling $2.398 billion through 166 series, including refundings, for qualified borrowers.

Through the combined efforts of the Board, staff and consultants, the Vermont Educational and Health Buildings Financing Agency has and will continue to provide low cost financings in an efficient and economical manner.

We hope you find this report useful and we welcome any questions or requests for additional information you may have.

Thank you for giving us the opportunity to serve Vermont's non-profit healthcare and educational institutions, and ultimately the people of the State of Vermont.

Respectfully submitted,

James E. Potvin
Chairman

Robert W. Giroux
Executive Director

20 Winooski Falls Way, Suite 305 Winooski, VT 05404
Telephone: 802-654-7377 ♦ Fax: 802-654-7379 ♦ Email: Finance_Agency@vtbondagency.org

2011

Rutland Regional Medical Center

Board of Directors

Chair:	James Potvin
Vice-Chair:	Dawn Bugbee
Treasurer:	Edward Ogorzalek
Secretary:	Stephen Gurin
Director:	Kenneth Gibbons
Director:	Kenneth Linsley
Director:	Sandra Predom
Director:	Neil Robinson
Director:	Stuart Weppler
Ex-Officio:	Douglas Racine, Secretary Agency of Human Services
Ex-Officio:	Jeb Spaulding, Secretary of Administration
Ex-Officio:	Elizabeth Pearce, State Treasurer
Ex-Officio:	Armando Vilaseca, Commissioner of Education

St. Johnsbury Academy

Staff

Executive Director:	Robert Giroux
Administrative Assistant:	Deborah Fillioe
Assistant:	Robert Fillioe

Consultants

General Counsel:	Deppman & Foley, P.C.
Bond Counsel:	Sidley Austin, LLP
Financial Advisor:	Public Financial Management, Inc.
Financial Auditor:	Mudgett, Jennet & Krogh-Wisner, P.C.

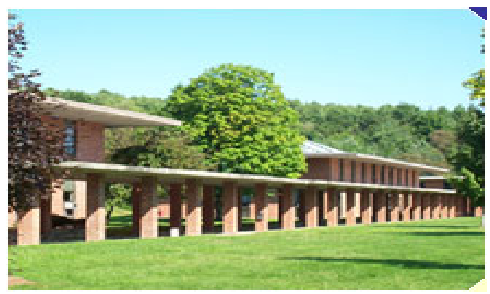
VEHBFA
VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY


Gifford Medical Center

1. What is the Vermont Educational & Health Buildings Financing Agency?
VEHBFA is an instrumentality of the State of Vermont established in 1966 to be the statewide conduit issuer of tax-exempt municipal bonds for non-profit educational and healthcare institutions. The board is made up of 7 members appointed by the Governor, 2 members appointed by the governor appointed members and 4 ex-officio members: the Secretary of Human Services, the Secretary of Administration, the Commissioner of Education and the State Treasurer. Since 1969, the Agency has issued $2.398 billion in bonds with $1.01 billion in loans outstanding.

2. What is the Agency's role in a financing?
Current federal tax laws allow the Agency, on behalf of eligible Vermont institutions, to issue bonds or notes on a tax-exempt basis. The bonds or notes are sold to qualified investors and then the proceeds are loaned to the borrowing institution. The Agency provides access to the capital markets, but does not directly loan funds of its own and does not enhance the credit quality nor stand behind the bonds. The bonds are repaid solely from funds generated by the borrowing institution. In addition, the State of Vermont does not provide any pledge or support to the payment of any of the Agency's bonds or notes.

3. Who is eligible to borrow through the Agency?
Eligible institutions include any nonprofit library that serves the public; any private or independent nonprofit university, college, primary or secondary school in the state; the University of Vermont; the Vermont State Colleges; or any nonprofit hospital as defined in section 1902 of Title 18; any nonprofit institution whose purpose is devoted primarily to the operation of diagnostic and therapeutic facilities for medical, surgical or psychiatric care of ambulatory patients; any nonprofit licensed nursing home; any nonprofit assisted living facility, nonprofit continuing care retirement facility, nonprofit residential care facility or similar nonprofit facility for the continuing care of the elderly or infirm, provided that such facility is owned or under common ownership with an otherwise eligible institution, In the case of healthcare financings, the Department of Banking, Securities, Insurance and Health Care Administration's Certificate of Need approval may be required.


Landmark College

4. How does an eligible borrower finance a project through the Agency?
In the development stages, the first step is to contact the Agency with a description of the project and an approximate amount the borrower would like to finance. The Agency will then provide contact information of possible underwriters or placement agents. These firms will review the project, the credit quality of the borrower and suggest possible financing alternatives. Currently there are two principal financing alternatives:

a. Public Sale
Within this category there are generally two possibilities:
(i) Stand alone sale with only one borrower. This may require an investment grade credit rating and/or credit enhancement from a bank letter of credit or bond insurance company and can be either a fixed rate or variable rate borrowing.
(ii) Pool financing with other borrowers. These usually require a bank letter of credit and can be either fixed or variable rate.

b. Private Placement

Within this category there are three possibilities:

(i) Direct sale to an institutional investor, usually a mutual fund.
(ii) Direct sale to a qualified bank.
(iii) Direct sale to one or more private investors who satisfy the sophisticated investor rules established by the Securities and Exchange Commission.

The Agency is also able to offer lease financing for equipment and related construction expenses, typically for short to medium-term projects. Lease financings use standardized documents and can be negotiated or competitively bid with investors.

5. Which financing alternative is best?

A number of factors contribute to the determination of which financing alternative is most appropriate, including the credit quality of the borrower, the expected size of the bond transaction, and the financing objectives of the borrower. Borrowers that are investment grade (BBB rated or higher) or borrowers that can obtain credit enhancement would be eligible to participate in a public sale. Smaller loans may be more appropriate for a private placement. With a fixed rate transaction, the terms and loan amortization are fixed for the life of the loan, at least to the call protection date, which is usually ten years. With a variable rate transaction, the bonds may generally be repaid on an interest payment date, creating more flexibility for the borrower. One of the roles of the Agency is to help a borrower determine which financing alternative is more appropriate given the individual circumstances of the borrower.

6. What determines the interest rates?

The interest rates are determined by negotiation with the underwriter or investor(s) and are based on the credit quality of the transaction (rated/unrated or enhanced /unenhanced), the length of the loan and whether it is fixed or variable rate.

7. What are the issuance costs involved in a transaction?

The costs to finance a transaction depend on the type of transaction and its complexity. The Agency charges a minimal fee for its involvement in each financing, but there are fees for the participants including, but not limited to, underwriter or placement agent, borrower's counsel, bond counsel, financial advisor, rating agencies, if necessary, and sources of credit enhancement, if necessary. Up to 2% of the bond can be used to finance the costs of issuance on a tax-exempt basis.

Vermont Educational & Health Buildings Financing Agency

Summary of 2011 Financings

Vermont Law School - Series 2011 A

Bond Size: $10,750,000
Credit Rating: Moody's Baa2
Credit Enhancement: None
Underwriter/Remarketing Agent: RBC Capital Markets
Interest Rate: Fixed Series Rates
Final Maturity: 2040
Yield: 2.20% to 6.53%
Purpose: i) Refund the Law School's 2003 Series A Bonds; ii) Renovate law clinics and office spaces iii) Construction of a new student fitness center; and iv) Pay certain costs associated with issuing the Bonds.

Brattleboro Retreat - Series 2011 A

Bond Size: $11,461,000
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank NA.
Interest Rate: Variable Rate
Final Maturity: 2031
Yield: Variable Rate
Purpose: i) Refund the Retreat's 2007 Series Bonds; ii) Fund various capital projects related to expansion and improvement of services as well as deferred maintenance; and iii) Pay certain costs associated with issuing the Bonds.
Economic Benefits: The Retreat's contractor expects to hire over 90 craftsmen with ~$900,000 in payroll. Long term the project will add up to 41 staff with an annualized payroll of $1.2MM.

Vermont Educational & Health Buildings Financing Agency

Summary of 2011 Financings

Champlain College – Series 2011A

Bond Size: $7,700,000 **Credit Rating:** None **Credit Enhancement:** None **Purchaser:** TD Bank NA. **Interest Rate:** Fixed Rate established with a forward rate lock **Final Maturity:** 2026 **Yield:** 3.64% **Purpose:** i) Construct a 98-bed, on campus student dormitory; and ii) Pay certain costs associated with issuing the Bonds. **Economic Benefits:** Constructing the dormitory project will bring $7.7MM into the local economy. The project's contractors will employ between 160 and 200 craftsman, with over 60% of the dollar value of the construction going to Vermont based sub-contractors.	

Summary of Outstanding Borrowers
As of December 31, 2011

Borrower	12/31/11 Outstanding Loans
Brattleboro Memorial Hospital	$9,845,000
Brattleboro Retreat	$11,300,000
Burlington College	$6,682,102
Carlos Otis Health Center	$3,860,000
Central Vermont Medical Center	$15,893,183
Champlain College	$31,132,615
Developmental & Mental Health Acquisition Pool	$32,525,000
Fletcher Allen Health Care	$332,875,000
Gifford Medical Center	$19,942,261
Helen Porter Healthcare & Rehabilitaition Center	$3,585,000
Lake Champlain Waldorf School	$1,325,168
Landmark College	$20,385,000
Marlboro College	$2,745,000
Middlebury College	$254,450,000
Mt. Ascutney Hospital	$8,904,073
North Country Hospital	$21,655,000
Northeastern Vermont Regional Hospital	$14,295,000
Northwestern Medical Center	$12,704,524

Summary of Outstanding Borrowers
As of December 31, 2011

Borrower	12/31/11 Outstanding Loans
Norwich University	$72,800,000
Porter Medical Center	$13,885,000
Rutland Regional Medical Center	$45,935,693
Southwestern Vermont Medical Center	$8,515,000
Springfield Hospital	$7,395,000
St. Johnsbury Academy	$10,375,212
St. Michael's College	$25,655,000
Stratton Mountain School	$6,170,000
Vermont Law School	$14,265,000
Total	$1,009,099,831