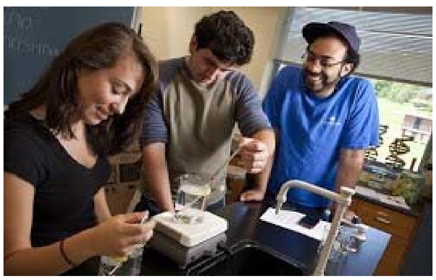
VEHBFA

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY



2012 Annual Report

Annual Report Table of Contents


Brattleboro Retreat

Vermont Educational & Health Buildings Financing Agency

February 11, 2013

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

Dear Governor Shumlin and Members of the General Assembly:

We are happy to report that once again in 2012 the Vermont Educational and Health Buildings Financing Agency demonstrated its fundamental strength by serving the financing needs of Vermont's non-profit educational and health care providers.

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 2012 Annual Report.

Becoming operational in 1969, the Agency has issued bonds totaling $2.535 billion through 170 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
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VEHBFA

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

2012

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, Secretary of Education

Central Vermont Medical Center

VERMONT ACADEMY 1876

Staff

Executive Director	Robert Giroux
Administrative Assistant	Deborah Fillioe
Assistant	Robert Fillioe
Student Intern	Briana Allison

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.

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 Secretary of Education and the State Treasurer. Since 1969, the Agency has issued $2.535 billion in bonds with $999.6 million 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.

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 2012 Financings

Lake Champlain Waldorf School – 2012 Series A

Bond Size: $1,075,000
Credit Rating: Not Rated
Credit Enhancement: None
Purchaser: Private Individuals
Interest Rate: Fixed Rate, Tax-Exempt
Final Maturity: 2017
Yield: 4.00%
Purpose: New High School Campus: i) Purchase a three-acre parcel of land, and the approximately 14,000 square foot building located thereon; ii) Finance certain improvements to the property; and iii) Pay certain costs associated with issuing the bonds.
Economic Benefits: The School was unable to quantify the economic benefits of this project.

St. Michael's College – 2012 Series A

Bond Size: $46,595,000
Credit Rating: S&P A- and Moody's Baa1
Credit Enhancement: None
Senior Underwriter: Morgan Stanley.
Interest Rate: Fixed Rate, Tax-Exempt
Final Maturity: 2042
Yield: 0.6% to 4.18%
Purpose: i) Fund the construction of a 40,000 square foot student center, ii) Fund the construction of a 105 bed residence hall; iii) Refund all of the College's outstanding debt; and iiii) Pay certain costs associated with issuing the Bonds.
Economic Benefits: The Saint Michaels College Student Center & Residential Hall project will bring $24.7m into the local economy in construction dollars alone. Approximately 85% of the dollar value of the construction cost is going directly to Vermont based sub-contractors, vendors and suppliers. There are over 30 subcontractors, vendors and suppliers working on the project at one

Vermont Educational & Health Buildings Financing Agency

Summary of 2012 Financings

St. Michael's College - 2012 Series A

Continued:

time or another and at its peak the project will have over 250 construction workers employed on site.

Upon completion, the College will increase its staff by 2-3 FTE's. The associated salaries and wages are projected at $97,000. The College also expects to purchase approximately $84,000 per year in supplies primarily from local vendors.

The refunding is expected to generate an estimated $4.2 million in total cash flow savings over the life of the bonds.

Middlebury College – 2012 Series A & 2012 Series B

Bond Size: $58,035,000 (Series A $46,150,000 and Series B $11,855,000)
Credit Rating: S&P AA and Moody's Aa2
Credit Enhancement: None
Underwriter: Goldman, Sachs & Co.
Interest Rate: Fixed Rate, Tax-Exempt
Final Maturity: 2032
Yield: 1.45% to 3.54%
Purpose: i) Refund the College's 2002 Series A bonds; and ii) Pay certain costs associated with issuing the Bonds.
Economic Benefits: The refunding is expected to generate an estimated total cash flow savings of almost $21 million.

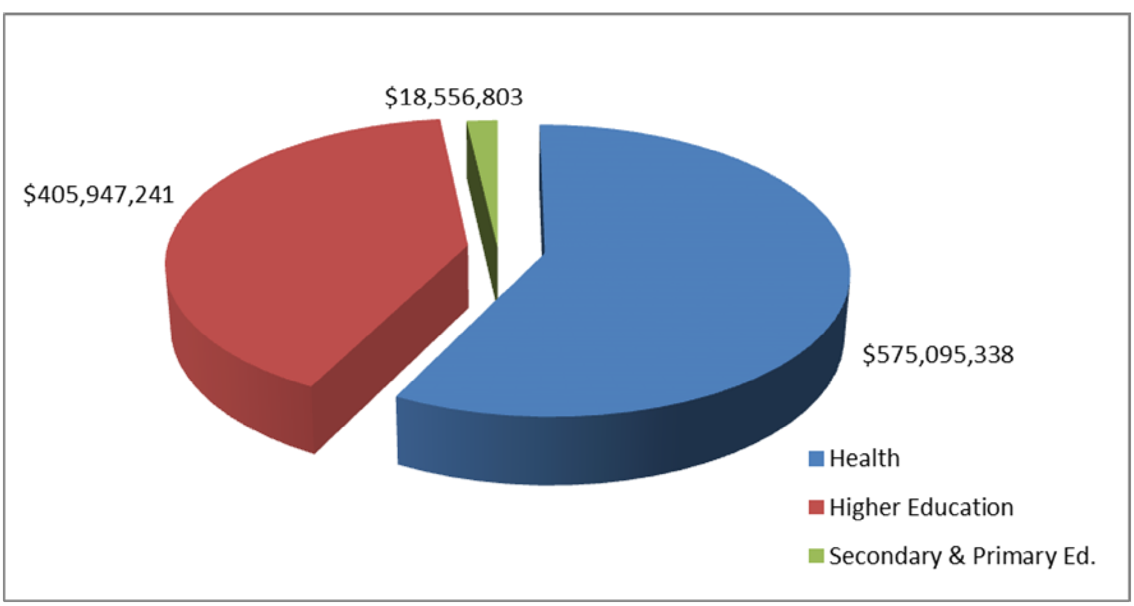
Vermont Educational & Health Buildings Financing Agency

Summary of 2012 Financings

Northwestern Medical Center – 2012 Series A

Bond Size: $19,900,000
Credit Rating: Not Rated
Credit Enhancement: None
Purchaser: TD Bank, N.A.
Interest Rate: Variable Rate, Tax-Exempt
Final Maturity: 2032
Purpose: i) refund the Medical Center's outstanding $12.3 million Series 2010-A bonds; ii) finance approximately $7.5 million of routine capital expenditures; and iii) pay for issuance costs related to the financing.
Economic Benefits: The refunding is expected to lower the Medical Center's cost of borrowing by 65 to 80 basis points as compared to the refunded bonds.

VEHBFA Loan Portfolio as of 12/31/12
$999,599,382



Vermont Educational and Health Buildings Financing Agency
Summary of Outstanding Borrower Loans
As of December 31, 2012

Borrower	Loans Outstanding
Brattleboro Memorial Hospital	$9,425,000
Brattleboro Retreat	$11,255,000
Burlington College	$6,572,241
Capital Asset Pool #2	$1,370,000
Central Vermont Medical Center	$13,958,160
Champlain College	$29,687,402
Development & Mental Health Acquisition Pool	$24,630,000
Fletcher Allen Health Care	$325,570,000
Gifford Medical Center	$19,529,149
Helen Porter Nursing Home	$3,475,000
Lake Champlain Waldorf School	$2,362,605
Landmark College	$19,830,000
Marlboro College	$2,445,000
Middlebury College	$247,940,000
Mt. Ascutney Hospital	$8,696,079
North Country Hospital	$21,025,000
Northeastern Vermont Regional Hospital	$13,905,000
Northwestern Medical Center	$19,900,000
Norwich University	$71,000,000
Porter Medical Center	$13,535,000
Rutland Regional Medical Center	$44,824,548
Southwestern Vermont Medical Center	$8,515,000
Springfield Hospital	$7,165,000
St. Johnsbury Academy	$10,179,198
St. Michael's College	$46,275,000
Stratton Mountain School	$6,015,000
Vermont Law School	$10,515,000
Grand Total	$999,599,382