

Vermont Educational and Health Buildings Financing Agency

Debt Issuance & Debt Management Policy

Scope & Purpose

This Policy covers the issuance of Vermont Educational and Health Buildings Financing Agency (VEHBFA or Agency) long-term debt and is intended to provide guidance to VEHBFA personnel, VEHBFA consultants and potential VEHBFA borrowers.

General

Under 16 V.S.A. Chapter 131, the Agency is empowered to issue its bonds for the benefit of certain Vermont 501(c)(3) libraries, healthcare, and educational institutions. Proceeds from Agency bond issues are then loaned to the eligible borrower for use on approved capital projects or to refund outstanding debt. VEHBFA's debt does not constitute a general obligation, a debt or a pledge of the faith and credit of the State of Vermont, or any political subdivision thereof. VEHBFA acts as a conduit issuer where the borrower seeks to access the Agency's issuing powers while assuming the underlying responsibility to repay the debt.

Type of Debt Issued

VEHBFA issues tax-exempt and taxable revenue debt.

Debt Limit and Status

VEHBFA's debt is issued only in compliance with its Enabling Act, the Internal Revenue Code and applicable U.S. Treasury Department regulations. The Agency's Enabling Act does not restrict the amount of debt that can be issued.

Loan Application

The applicant shall:

- a. Provide the Agency with the information called for on an application form supplied by VEHBFA.
 - Along with the application, the applicant will submit five years of audited financial statements. Upon request, the Board may allow the substitution of an accountant's "Compilation" or "Review" report in place of the audit reports.
- b. Provide the VEHBFA Board's financial advisor with information necessary for the advisor to render an opinion as to the borrower's need for the project to be financed and the ability of the borrower to repay the associated debt.

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- c. Provide VEHBFA's bond counsel with the information necessary for bond counsel to develop the required legal documents and render its approving opinion.

Application Fees

The applicant will pay to the Agency the following fees at closing:

- 1) An Agency application fee equal to \$0.65 per \$1,000 of par amount issued. The application fee shall be a minimum amount of \$1,000 and a maximum amount of \$25,000.
- 2) Agency financial advisor fee equal to \$1.00 per \$1,000 of par amount issued. The financial advisor fee shall be a minimum amount of \$10,000 and a maximum amount of \$50,000.

Selection of Advisors

- 1) Agency Financial Advisor - The Agency Board shall appoint a qualified financial advisor to assist the Board in evaluating the proposed financing. Agency financial advisor fees are the responsibility of the borrower.
- 2) Bond Counsel - The Agency Board shall appoint a qualified legal counsel to serve as bond counsel for that particular Bond Issue. Bond counsel fees are the responsibility of the borrower.
- 3) Selection of Underwriter(s) - Underwriter(s) for any bond issue shall be selected by the borrower with the concurrence of the Agency. Underwriter fees are the responsibility of the borrower.
- 4) Selection of the Trustee - The Trustee shall be selected by the borrower with the concurrence of the Agency. Fees for trustee services are the responsibility of the borrower.
- 5) Other Advisors & Services – All other advisors and services, including but not limited to, borrower's financial advisor, borrower's legal counsel, arbitrage rebate, printing, verification, rating services and credit enhancement, shall be selected by the borrower with the concurrence of the Agency. Other Advisors and Services fees shall be the responsibility of the borrower.

Bond Issuing Process

- 1) The borrower is to complete and deliver to VEHBFA the loan application at least forty-five (45) days before the meeting of the Agency Board that will consider the application.

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- 2) Prior to the Board meeting, the Agency's financial advisor will review the materials submitted by the borrower and provide a report to the Agency Board as to the borrower's need for the project financed and its ability to repay the debt.
- 3) Prior to the Board meeting, the Agency's bond counsel will work with other legal counsel to develop the bond, loan and trust documents and the VEHBFA Board resolutions.
- 4) The Agency Board will review the application, supporting materials and Board advisor reports and if it deems appropriate, approve the issuance and sale of the bonds. When required, the Board will certify to the Governor as to the borrower's need for the project and ability to repay the debt.
 - a) Agency bonds will not be issued unless the required Governor's approval is obtained.
- 5) If required by IRS regulations, a public TEFRA hearing will be held in order to provide the public with the opportunity to learn about and comment on the upcoming bond issue and the project being financed or refinanced thereby.
- 6) Bonds are sold and a closing is scheduled only after all of the above requirements have been met.

Use of Bond Proceeds

Bond proceeds will be deposited into accounts as directed in the applicable bond documents relating to such bond issue. The bond proceeds will be used and disbursed in accordance with applicable bond documents, the same consisting of Loan Agreement, Trust Agreement, Bond Purchase Agreement, etc. If the Agency determines it is appropriate under the circumstances to do so, the Agency shall provide the necessary bond requisition reimbursement forms to the Borrower at, or subsequent, to closing.

Post Issuance Compliance

The underlying borrower shall assume the responsibility for complying with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the bonds.

Adopted: August 27, 2012

Amended: June 13, 2014