2015

VEHBFA

Annual Report

SAINT MICHAEL'S COLLEGE FOUNDED 1904

Vermont Educational and Health Buildings Financing Agency

Annual Report — Table of Contents

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Middlebury College

VEHBFA

Vermont Educational & Health Buildings Financing Agency

February 9, 2016

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 enactment in 1966, the Vermont Educational and Health Buildings Financing Agency ("VEHBFA") has proudly partnered with Vermont's non-profit healthcare and educational institutions by facilitating their access to low cost tax-exempt bond financing for critically needed capital projects and for refunding opportunities.

Pursuant to 16 V.S.A. §3862, it is our privilege to provide you with the Vermont Educational and Health Buildings Financing Agency's 2015 Annual Report.

Through the efforts of the Board, staff and advisors, the Vermont Educational and Health Buildings Financing Agency has been able to offer our borrowers efficient and affordable financings.

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

We welcome 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

VEHBFA 2015
Board of Directors, Staff and Advisors

Board of Directors:

James Potvin, Chair

Dawn Bugbee, Vice Chair (Resigned)

Edward Ogorzalek, Treasurer

Neal Robinson, Secretary

Anita Bourgeois, Director

Frederick Burkhardt, Director

Kenneth Gibbons, Director

Kenneth Linsley, Director

Stuart Weppler, Director

Hal Cohen, Secretary of AHS, Ex-Officio

Rebecca Holcomb, Secretary of Education, Ex-Officio

Justin Johnson, Secretary of Administration, Ex-Officio

Beth Pearce, State Treasurer, Ex-Officio

Staff:

Robert Giroux, Executive Director

Advisors:

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

Our mission is simple: to provide Vermont's 501(c)(3) educational and healthcare institutions with low cost bond financing for important and critical projects.

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 $2.7 billion in bonds with $986.5 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 Green Mountain Care Board *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 advise on 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. Like standalone sales, pooled financings will require an investment grade rating or 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 any 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 and/or investor(s) and are based on the credit quality of the transaction (whether rated or unrated and whether enhanced or 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.

For more information on the Vermont Educational and Health Buildings Financing Agency, please visit our website at www.vehbfa.org.

2015
Year in Review

University of Vermont Medical Center

Bond Series: 2015 Series A Tax-Exempt Bonds

Bond Size: $23,840,000

Closed: January 8, 2015

Credit Rating: Not Rated

Credit Enhancement: None

Purchaser: Key Government Finance, Inc.

Interest Rate: Fixed rate, 2.27%

Final Maturity: 2023

Yield: 2.2702%

Purpose: The bonds were used to: i) refund UVM-MC's 2004 Series A bonds; ii) fund $1.26 million of certain capital projects; and iii) pay for issuance costs related to the financing.

Project Benefit: The refunding will generate substantial interest expense savings over the remaining life of the bond series.

Economic Benefits: The refunding will generate on average approximately $1.03 million in annual cash flow savings, or $3.86 million on a net present value basis.

Brattleboro Retreat

Bond Series: 2015 Series A Tax-Exempt Bonds
2015 Series B Taxable Bonds

Bond Size: 2015 Series A - $11,233,755
2015 Series B - $ 2,905,000

Closed: July 15, 2015

Credit Rating: Not Rated

Credit Enhancement: None

Purchaser: **Citizens Bank**

Interest Rate: 2015 Series A – Fixed rate, 3.0191%
2015 Series B – Variable Rate, 30-day LIBOR + 1.72%

Final Maturity: 2015 Series A – 2031
2015 Series B - 2019

Purpose: The bonds will be used to: i) refund the Retreat's outstanding $11.2 million Series 2011 Series A bonds; ii) refund a $2.9 million bank loan; and iii) pay for issuance costs related to the financing.

Project Benefit: The refunding will generate substantial interest expense savings over the remaining life of the two bond series.

Project Benefit: The financings are expected to save the Brattleboro Retreat over $800 thousand in debt service over the life of the bonds. The 2015 bonds will also reduce the Retreat's variable rate risk exposure, eliminate remarketing risk and the risk of a downgrade to the letter of credit provider.

Helen Porter Medical Center

Bond Series: 2015 Series A Tax-Exempt Bonds

Bond Size: 2015 Series A - $15,750,000

Closed: August 6, 2015

Credit Rating: Not Rated

Credit Enhancement: None

Purchaser: People's United Bank

Interest Rate: Fixed rate – 2.8508%

Yield: N/A

Final Maturity: 2035

Purpose: The bonds were used to: i) refund Porter's outstanding $12.65 million 2006 Series A bonds; ii) refund Porter's outstanding $3.10 million 2000 Series A bonds and iii) pay for issuance costs related to the financing.

Project Benefit: The refunding will generate substantial interest expense savings over the remaining life of the bond series.

Economic Benefits: The financings are expected to save Porter Medical Center $2.41 million over the life of the bonds. The 2015 bonds will also reduce the Medical Center's variable interest rate exposure, eliminate remarketing risk and the risk of a downgrade to the letter of credit provider.

Developmental & Mental Health Service Providers Acquisition Pool

Bond Series: 2015 Series A Tax-Exempt Bonds
2015 Series B Taxable Bonds

Pool Members: Counseling Services of Addison County ("CSAC")
Northwestern Counseling & Support Services ("NCSS")

Bond Size: 2015 Series A - $7,040,000
2015 Series B - $182,000

Closed: August 17, 2015

Credit Rating: Aa3, Moody's Investors Services

Credit Enhancement: None

Purchaser: Municipal Capital Markets Group
(Negotiated, Public Placement)

Interest Rate: Fixed rate

Final Maturity: 2031

Yield: 3.136%

Purpose: The 2015 Series A bonds were used to: i) to partially refund $6.37 million of the Pool's 2008 Series A bonds; ii) refund $1.1 million in direct placed bank financings; iii) make $702,918 in real estate improvements; and iv)) pay for issuance costs related to the financing.

The 2015 Series B bonds were used to pay for issuance cost relating to the financing.

Project Benefit: In addition to the acquisition of necessary capital assets, the refunding will generate substantial interest expense savings over the remaining life of the bond series.

Economic Benefits: The Pool will use bond proceeds to acquire new telephonic equipment, make necessary roof repairs and install a new heating system. The refunding savings is expected to save CSAC $543,000 and NCSS $647,000, both on a present value basis.

The Counseling Service of Addison County, Inc.

NORTHWESTERN COUNSELING & SUPPORT SERVICES

Saint Michael's College

Bond Series: 2015 Series A Tax-Exempt Bonds

Bond Size: 2015 Series A - $18,645,000

Closed: November 10, 2015

Credit Rating: Baa1, Moody's Investors Services
BBB+, Standard & Poor's

Credit Enhancement: None

Purchaser: Morgan Stanley
(Negotiated, Public Placement)

Interest Rate: Fixed rate

Final Maturity: 2031

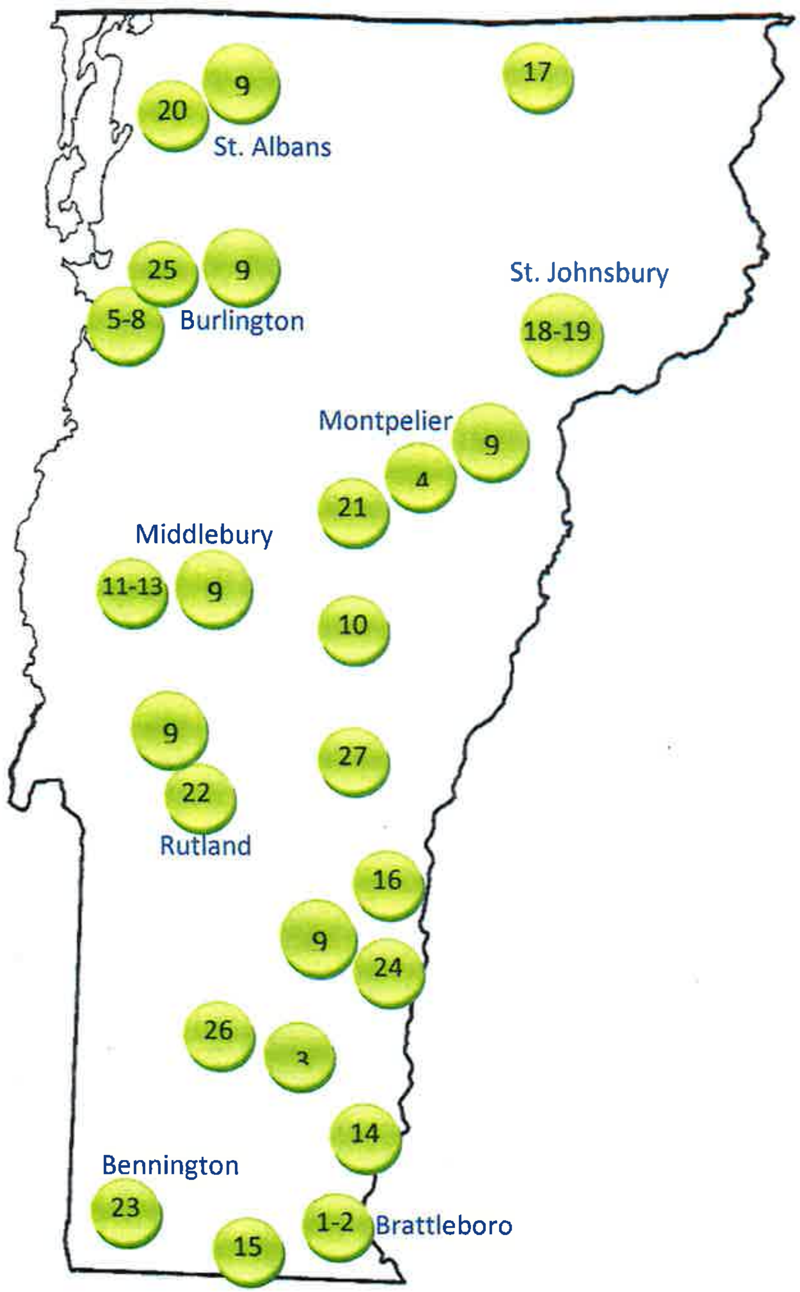
Yield: 3.136%

Purpose: The 2015 Series A bonds were used to: i) to finance the construction and equipping of a new 188-bed, 56,000 square foot, residence hall located on the College's main campus; and ii) pay for issuance costs related to the financing.

Project Benefit: The College believes that the new residence hall will improve the residential living experience for upper classman and assist with student recruitment and retention. SMC has designated the 2015 Series A bonds as "Green Bonds". The residence hall project will be built using sustainable building practices and will be almost entirely emission and carbon free when occupied.

Economic Benefits: Saint Michael's College estimates the project will bring over $1.5 million into the local economy in construction dollars alone, with 85% of the total being spent on local contractors, vendor and suppliers.

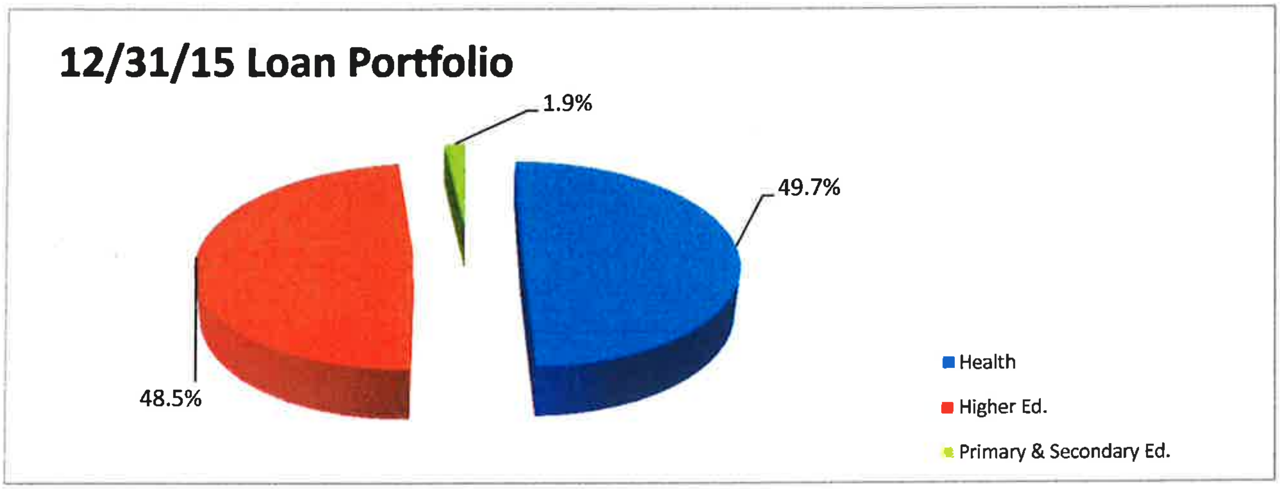
Summary of Outstanding Loans as of December 31, 2015

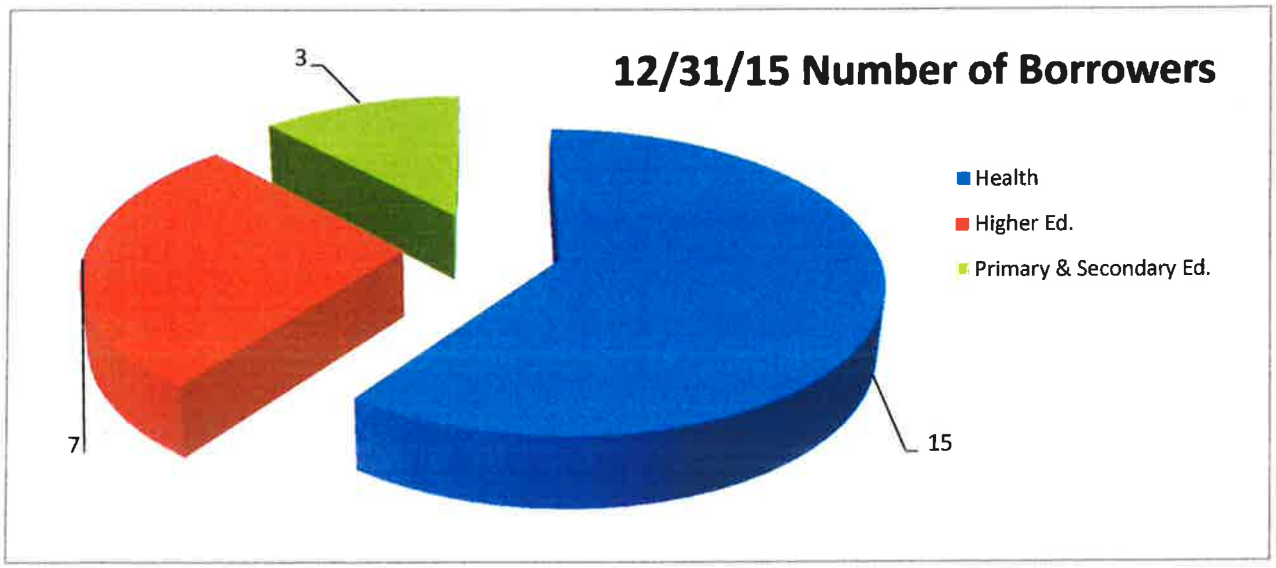


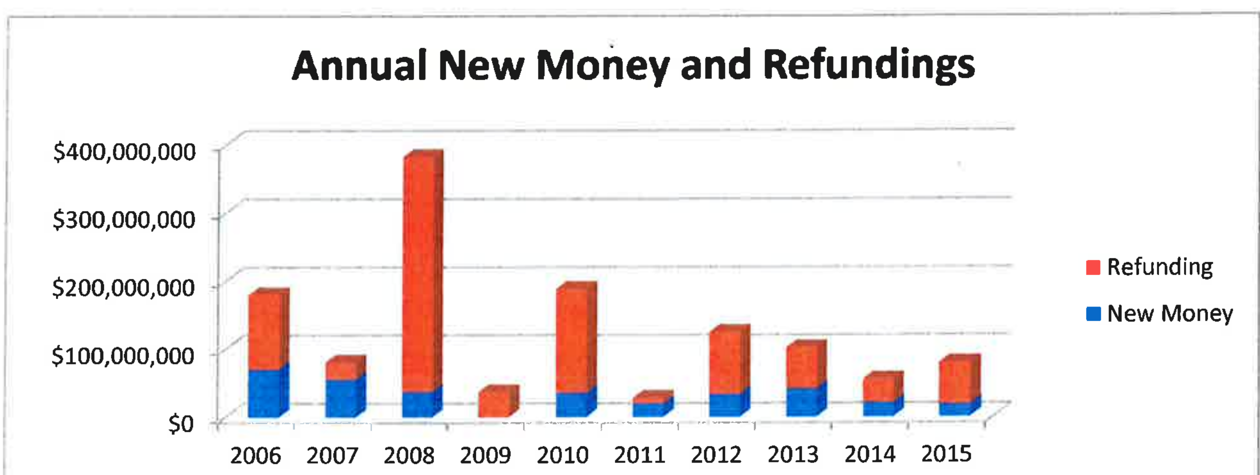
12/31/15 VEHBFA Borrowers

1. Brattleboro Memorial Hospital
2. Brattleboro Retreat
3. Carlos G. Otis Health Care
4. Central Vermont Medical Center
5. Burlington College
6. Champlain College
7. Lake Champlain Waldorf School
8. Fletcher Allen Health Care
9. Developmental & Mental Health Acquisition Pool
10. Gifford Medical Center
11. Helen Porter Nursing Home
12. Middlebury College
13. Porter Medical Center
14. Landmark College
15. Marlboro College
16. Mt. Ascutney Hospital
17. North Country Hospital
18. Northeastern Vermont Regional Hospital
19. St. Johnsbury Academy
20. Northwestern Medical Center
21. Norwich University
22. Rutland Regional Medical Center
23. Southwestern Vermont Medical Center
24. Springfield Hospital
25. St. Michael's College
26. Stratton Mountain School
27. Vermont Law School

Vermont Education & Health Buildings Financing Agency
2015 Activity







Vermont Education Health Buildings Financing Agency
December 31, 2015 Loans Outstanding

Borrower	Loans Outstanding
Brattleboro Memorial Hospital	$8,065,000
Brattleboro Retreat	$11,245,000
Carlos G. Otis Health Care	$1,000,000
Central Vermont Medical Center	$9,883,827
Champlain College	$47,825,476
Development & Mental Health Acquisition Pool	$20,647,000
Gifford Medical Center	$20,252,140
Lake Champlain Waldorf School	$2,240,454
Landmark College	$24,285,000
Marlboro College	$1,380,000
Middlebury College	$247,940,000
Mt. Ascutney Hospital	$8,006,043
North Country Hospital	$18,995,000
Northeastern Vermont Regional Hospital	$12,510,000
Northwestern Medical Center	$17,656,569
Norwich University	$89,375,000
Porter Medical Center	$15,557,385
Rutland Regional Medical Center	$31,350,000
Southwestern Vermont Medical Center	$8,135,000
Springfield Hospital	$6,400,000
St. Johnsbury Academy	$9,538,910
St. Michael's College	$57,445,000
Stratton Mountain School	$6,790,887
University of Vermont Medical Center	$298,030,000
Vermont Law School	$9,830,000
Grand Total	$986,523,691