



Board Meeting

20 Winooski Falls Way, Winooski, Vermont

July 8, 2014

Meeting Minutes

Board Members: David Beatty (designee of Jeb Spaulding); Dawn Bugbee; Fritz Burkhardt; Kenneth Gibbons; Cathy Hilgendorf (designee of Rebecca Holcombe) Kenneth Linsley; James Potvin; Neal Robinson; Stuart Wepler; and Steve Wisloski (designee of Beth Pearce, joined the meeting at 9:10 am).

Staff: Robert W. Giroux

Consultants: Matt Hughey and Larry Bauer (Sidley Austin); June Matte and Casey Fox (Public Finance Management); and James Foley (Deppman & Foley)

Guests: David Provost and Shelley Navari (Champlain College)

The meeting was called to order by Mr. Potvin, at 9:04 am.

Champlain College

Mr. Provost gave a brief overview of Champlain College. Champlain is a private residential college with a student body totaling 3,377, and offers 30 majors to students from 41 states and 17 countries.

The College will use the proposed financing to pay for the addition and upgrade to the Center for Communications and Creative Criteria, the College's largest academic program; a student transit center; a retail store and mail service center; a new dining hall and events center; and energy efficiency improvements.

Ms. Matte then presented PFM's analysis of the College's financing request. The College feels the project will be important to its success by increasing prospective student demand, improving current student retention, and enhancing student life by providing additional dining opportunities for the 275 newly added beds to the main campus.

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The College will be making a \$12.2 million equity contribution towards the \$24.7 million cost to construct and equip the new facilities. The financing will be a private placement loan through TD Bank and will have two tranches. The first tranche will be \$6.25 million of fixed rate bonds and the second tranche will be \$6.25 million of variable rate debt. Approximately \$250,000 of the College's \$12.2 million equity contribution will be used to cover the cost of issuing the bonds. Both tranches will have ten-year maturities and will amortize over the life of the loans.

Champlain College has made a determined effort to maintain low levels of debt and rapid loan amortization, by using short loan terms and a bullet payment structure. This structure has caused the College to run afoul of its debt service coverage ratio, even though the College has the funds available and has budgeted for the bullet payments. Champlain has worked with its lending Banks to modify the debt service coverage ratio test so that the College will be able to easily pass the coverage test.

The College has a healthy student demand and marketing position. Champlain has consistently had positive operations, strong cash flows and an improving balance sheet.

Based on their analysis of Champlain College and conditioned on the College's ability to amend its covenant language, PFM recommends that the Agency grant approval for the 2014 Series A & Series B bond financing.

Mr. Hughey then described the legal structure for the Champlain College financing. The legal documents for the 2014 Series A & Series B bonds will be very similar to the documents used for the last four Champlain College financings. The 2014 Series B bonds will be drawdown bonds, with the bond proceeds only being drawn as needed. As security for the loans, the College will pledge a mortgage on certain unencumbered properties and a security interest in other assets of the College. Since this is a new money issue, the financing will require that a TEFRA hearing be held and that the Agency receive approval from the Governor.

The Board will also need to approve a second resolution authoring amendments to the College's outstanding loan agreements with TD Bank, Merchants Bank and Key Bank and conforming certain financial covenants with those included in the 2014 Series A & Series B loan agreements.

Motion: Mr. Robinson moved and Mr. Wepler seconded the motion to authorize the issuance of up to \$12,500,000 of 2014 Series A and Series B Agency Bonds with the proceeds to be loaned to Champlain College to construct new campus facilities. The Board also certifies to the Governor as to the need for the new facilities, the School's ability to repay the debt and that a TEFRA hearing was warned and will be held in accordance with Section 147(f) of the Internal Revenue Code of 1986. There being no

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further discussion, the motion passed. Ms. Bugbee and Mr. Burkhardt abstained from voting on the motion.

***Motion:** Ms. Hilgendorf moved to authorize the Chairman and Executive Director to execute amendments to the outstanding Champlain College loan agreements with TD Bank, Merchants Bank and Key Bank so that the agreements conform with the covenants contained in the 2014 Series A & Series B loan agreements. The motion was seconded by Mr. Gibbons and it passed. Ms. Bugbee and Mr. Burkhardt abstained from voting on the motion.*

Other Business

None.

There being no further business, the meeting was adjourned.

These Minutes were approved by the Board of Directors at a duly warned meeting on November 18, 2014.