

State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
25 Capitol Street – Room 120
Concord, New Hampshire 03301

6 Jm

LINDA M. HODGDON
Commissioner
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Assistant Commissioner
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May 6, 2014

Her Excellency, Governor Margaret Wood Hassan
and the Honorable Council
State House
Concord, New Hampshire 03301

REQUESTED ACTION

Approval of the Report and Findings of Councilor Christopher C. Pappas with regard to a certain project in participation with Southern New Hampshire University, Manchester, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Pappas has requested that this be placed on the agenda as a regular item for the Wednesday, May 21, 2014 meeting for ratification by the Governor and Council.

Sincerely,

A handwritten signature in cursive script that reads "Linda M. Hodgdon".

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

CHRISTOPHER C. PAPPAS, designee of the Governor and Council of The State of New Hampshire, under the provisions of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated, on the undertaking by the Authority of a certain project in participation with **SOUTHERN NEW HAMPSHIRE UNIVERSITY** of Manchester, New Hampshire, pursuant to said Act.

Introductory

The New Hampshire Health and Education Facilities Authority (hereafter referred to as the “Authority”) requested of Governor Maggie Hassan and the Executive Council that a hearing be held pursuant to the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated (hereafter referred to as the “Act”), and particularly as prescribed in Section 21 of the Act. The hearing is required as the result of an application submitted to the Authority by Southern New Hampshire University, a not-for-profit, voluntary corporation formed under New Hampshire law and located in Manchester, New Hampshire (hereafter referred to as the “University”) which is a participating educational institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in financing the construction and equipping of certain facilities of the University as well as the refinancing of certain of the University’s existing indebtedness (hereafter referred to as the “Project”).

Pursuant to RSA 195-D:21, the Governor and Council designated me to hold a hearing and make findings in connection with the application. Following Public Notice given in accordance with Chapter 91-A of the New Hampshire Revised Statutes Annotated, by notice published in the Union Leader on April 30, 2014, the hearing was held commencing at 10:00 a.m. on May 2, 2014 in the Finance Conference Room, Exeter Hall, Southern New Hampshire University, 2500 North River Road, Manchester, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

Joseph A. Sergi, the Chief Financial Officer and Treasurer of the University, was the first witness. He stated that Southern New Hampshire University is an educational institution providing undergraduate, graduate and doctoral level programs, primarily in the area of business education. The University has its main campus in Manchester and maintains continuing education locations in certain other communities. The University awards bachelors and graduate degrees as well as Ph.D. and D.B.A. degrees. In addition to its business focus, Southern New Hampshire University has a hotel/restaurant management/culinary arts program. The University also has expanding online programs.

Mr. Sergi testified that the new money portion of the Project to be funded by the Series 2014 Bonds at the approximate cost of \$15 million may include: (i) the construction, furnishing and equipping of a new artificial turf field, an eight lane all-weather track and accompanying 17,695 square foot stadium facility to accommodate approximately 1,200 spectator seats, additional locker rooms, a training room, a laundry room, offices, conference spaces, a large multi-purpose room, and a press box; (ii) financing miscellaneous construction, renovation and equipping of the University's educational facilities; and (iii) funding capitalized interest with respect to the 2014 Bonds.

Mr. Sergi testified that, in addition to the new money portion of the Project, the University intends to refinance certain of its existing indebtedness. Although the extent to which the indebtedness will be refinanced will depend on market conditions at the time the Bonds are sold, the University expects to refinance all, or a portion, of its existing indebtedness represented by the (i) approximately \$30,025,000.00 in outstanding principal amount of the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2008, (ii) approximately \$6,310,000.00 in outstanding principal amount of the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2006, and (iii) approximately \$16,625,000.00 in the outstanding principal amount of the Authority's Revenue Bonds, Southern New Hampshire University Issue, Series 2005. The proceeds of these prior bond issues were used to refinance

certain of the University's then-existing indebtedness and to finance certain capital improvements.

Mr. Sergi explained that certain Bond proceeds will be used to pay the costs of issuing the Bonds. Mr. Sergi stated that the principal amount of the Bonds to be issued will not exceed \$70 million and the exact amount will be determined at the time of sale of the Bonds. The 2014 Bonds are expected to be purchased by T.D. Bank, N.A. and Century Bank or a subsidiary thereof, and are expected to mature in no more than 30 years. He testified that, under the Loan Agreement with the Authority, the University will be required to continue to carry blanket fire and extended coverage as well as general liability insurance.

Mr. Sergi testified that, as the Chief Financial Officer and Treasurer of Southern New Hampshire University, it was his opinion that the University would be able to meet its financial obligations under the proposed bond issue and that the University is currently operating in a financially responsible manner. He concluded his testimony by explaining that the refinancing of existing indebtedness would permit the University to continue to render an appropriate level of service to its current and future students, and would assist the University in lowering the cost of education in the State.

David C. Bliss was the final witness. He stated that he is the Executive Director and Secretary of the New Hampshire Health and Education Facilities Authority, charged with the administration of the Authority's day-to-day affairs. In his capacity as Executive Director he has become acquainted with the Project and the details of its financing, having worked closely with the University's officers in developing the financial arrangements to be reflected in the bonds proposed to be issued. He stated that the Authority has voted to issue its bonds for the Project, subject to compliance being had with all laws bearing upon such issue and the advice of counsel, including Bond Counsel. He testified that the Authority adopted a resolution on April 17, 2014 approving issuance of bonds for Southern New Hampshire University.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Project, including the Bond Indenture to be entered into between the Authority and the

Trustee for the bond issue and the Loan Agreement and Mortgage intended for execution between the University and the Authority. He stated that there is a provision in the Loan Agreement under which the University is obligated to hold and use the Project for educational purposes so long as the Bonds are outstanding. He testified to the language in the Bond Indenture which requires that each bond issued by the Authority for Southern New Hampshire University bear on its face the following provision:

Neither the State of New Hampshire nor any political subdivision thereof shall be obligated to pay the principal of or interest on this bond, other than from Pledged Revenues, and neither the faith and credit nor the taxing power of the State of New Hampshire or of any political subdivision thereof is pledged to the payment of the principal of or interest on this bond.

Mr. Bliss testified that the bond documents will make adequate provision for the payment of principal and interest on the bonds, as well as the costs of the Project, so that the State will not be obligated in any way for their repayment.

Mr. Bliss concluded his testimony by stating that, based on his familiarity with the statute under which the Authority operates, on his experience as Executive Director of the Authority, and on the advice of counsel, including Bond Counsel, the Project is within the powers conferred by law upon the Authority.

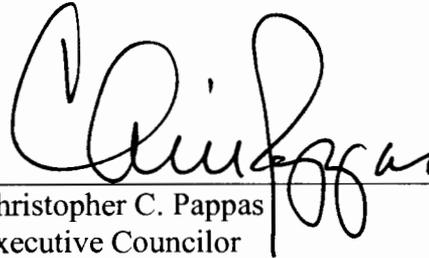
Findings

Upon the testimony submitted at the hearing, and upon consideration, I find as follows:

- (1) The construction and acquisition of the Project, as the same is described in such testimony, will enable and assist Southern New Hampshire University (herein called the "University"), a not-for-profit educational institution located in Manchester, New Hampshire, to provide education within the State of New Hampshire (herein called the "State"); and
- (2) The facilities being refinanced as part of the Project will be leased to, or owned by, the University, which is a financially responsible participating institution within the State; and
- (3) Adequate provision has been, or will be, made for the payment of the cost of the construction and acquisition of the Project to be undertaken and any refinancing of existing indebtedness related to the Project; and under no circumstances will the State be obligated, directly or indirectly, for the payment of the principal of, or interest on, any obligations issued to finance such construction and acquisition or to provide for the refinancing of existing indebtedness, or obligations to which such refinancing of existing indebtedness relates; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage or financing of the Project to be undertaken or any property leased or mortgaged or financed in connection with the issuance of bonds or notes for the payment of all costs of operation, maintenance and upkeep of the Project by the University so that under no circumstances will the State be obligated, directly or indirectly, for the payment of such costs; and
- (5) Adequate provision has been made to obligate the University to hold and use the Project and the facilities being refinanced by the Project for educational purposes so long as the principal of and interest on bonds or other obligations issued by the New Hampshire Health and Education Facilities Authority (herein called the "Authority") to finance the cost of the Project, including any refunding bonds issued to refund and refinance such bonds, have not been fully paid and retired and all other conditions of the resolution or trust agreement authorizing and securing the same have not been satisfied and the lien of such resolution or trust agreement has not been released in accordance with the provisions thereof; and
- (6) The construction and acquisition of the Project or any refinancing of existing indebtedness will be within the authority conferred by Chapter 195-D of the New Hampshire Revised Statutes Annotated upon the Authority; and

- (7) The construction and acquisition of the Project serves a need presently not fulfilled in providing education within the State and is of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist the University in lowering the cost of providing education within the State and is being done in connection with a Project provided by the University.

Dated: May 2, 2014



Christopher C. Pappas
Executive Councilor
Designee of the Governor
and Council

RATIFICATION AND GOVERNOR'S APPROVAL

The Governor and Council hereby ratify, confirm, approve and adopt the findings set forth in the Report and Findings attached hereto made by Christopher C. Pappas, the Designee of the Governor and Council to hold a hearing and make findings pursuant to Section 21 of the New Hampshire Health and Education Facilities Authority Act, Chapter 195-D of the New Hampshire Revised Statutes Annotated. The hearing was required and held as a result of an application submitted to the New Hampshire Health and Education Facilities Authority by Southern New Hampshire University, a not-for-profit participating educational institution which is located in Manchester, New Hampshire. The hearing was held on May 2, 2014, following public notice, in the Finance Conference Room, Exeter Hall, Southern New Hampshire University, 2500 North River Road, Manchester, New Hampshire at 2:30 o'clock in the afternoon.

The Governor's signature constitutes her approval under Section 147(f) of the Internal Revenue Code of 1986, as amended, of the issuance of the bonds described herein and in the hearing held by the Authority on May 14, 2014 as described in the Notice of Public Hearing, published on April 30, 2014.

Dated: May 21, 2014

Governor and Council:

