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State of New Hampshire

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

12 Jm

JOSEPH B. BOUCHARD
Assistant Commissioner
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June 25, 2013

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 Raymond S. Burton with regard to the purchase of certain capital equipment and the refinancing of certain existing indebtedness in connection with the Kimball Union Academy, Meriden, New Hampshire.

EXPLANATION

This item is submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Burton has requested that this be placed on the agenda for the Wednesday, July 10, 2013 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

RAYMOND S. BURTON, 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 **KIMBALL UNION ACADEMY** of Meriden, 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 Kimball Union Academy, a not-for-profit, voluntary corporation formed under New Hampshire law and located in Meriden Village, Plainfield, New Hampshire (hereafter referred to as the “Academy”), which is a participating educational institution under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in financing certain capital expenditures, including additions to the Miller Bicentennial Hall building (hereafter referred to as the “Program”).

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 June 7, 2013, and notice to local elected officials, the hearing

was held commencing at 1:30 p.m. on June 11, 2013 in the Coffin Meeting Room in the Doe Dining Commons at Kimball Union Academy, 7 Campus Center Drive, Village of Meriden, Town of Plainfield, New Hampshire.

All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

David C. Bliss was the first 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.

Mr. Bliss testified that the Program was created following amendments to the Authority's statute during the 1999 legislative session. The purpose of the Program is to provide the Authority's authorized borrowers with two short-term note financing programs. The first is the Revenue Anticipation Note ("RAN") program, which provides working capital to not-for-profit borrowers. The second is the Capital Note ("CAN") program, which provides loans for capital projects to not-for-profit borrowers. Both the RAN and CAN programs provide loans from note proceeds at extremely favorable interest rates and with costs of issuance which are considerably lower than a normal note or bond issue. This is the result of pooling as many borrowers as possible together to issue notes at the same time, issuing the notes through a common offering, using standardized documents and reinvesting note proceeds to offset certain of the interest costs. Mr. Bliss emphasized, however, that each institution will be issuing its own notes on its own credit (which in some cases may be based on a letter of credit) and that there will be no cross guaranties or obligations among the various borrowers.

Mr. Bliss explained that, in addition to the borrowers who have already participated in the 2013 Program, the Academy will be issuing a capital note of up to \$3.2 million. Mr. Bliss stated that in his capacity as Executive Director he has become acquainted with the Program and the details of its financing, having worked closely with the Academy's officers in developing the financial arrangements to be reflected in the notes proposed to be issued. He stated that the Authority has voted to issue its notes for the Program, 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 May 16, 2013, approving issuance of notes for the Academy in the Program.

Mr. Bliss testified that certain documents are being prepared for execution in connection with the Program, including the Note Indenture to be entered into between the Authority and the Trustee and the Agreement intended for execution between the Academy and the Authority. He stated that there is a provision in the Agreement under which each borrower is obligated to hold and use the note proceeds for educational or health care purposes so long as the Notes are outstanding. He testified to the language in the Note Indenture which requires that each note issued by the Authority for each borrower in the Program 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 Note, 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 Note.

Mr. Bliss testified that the note documents will make adequate provision for the payment of principal and interest on the notes, as well as the costs of the Program, so that the State will not be obligated in any way for their repayment. He stated that the Authority expects to issue up

to \$3.2 million in notes for the Academy. He characterized the Program as serving an important public purpose, namely, the provision of funds for new projects and for refinancing of existing indebtedness at extremely low rates of interest to not-for-profit institutions, thereby allowing them to keep their costs of providing education and health care at lower levels than otherwise would be the case.

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 Program is within the powers conferred by law upon the Authority.

Jim Gray, the Chief Financial Officer of the Academy, was the final witness. He stated that Kimball Union Academy is an independent private school providing a college preparatory curriculum for students in grades 9-post graduate. Mr. Gray explained that Kimball Union Academy had an enrollment of 324 students for the 2012-13 school year. Approximately two-thirds of the students were boarding students and one-third were day students. The Academy's students came from 20 states and 21 foreign countries.

Mr. Gray testified that Kimball Union Academy's mission is "to discover with each student the right path to academic mastery, to creativity and to responsibility." Rooted in the traditions of a New England preparatory school, Kimball Union Academy offers its students an education that balances a challenging, dynamic curriculum with competitive programs in athletics and the arts. The Academy seeks to develop essential values: a love of learning, a respect for oneself and others, concern for the environment, commitment to honesty and the highest ethical standards and involvement in the greater world.

Mr. Gray testified that the Note proceeds will be used to finance certain capital

expenditures, including additions to the Miller Bicentennial Hall (the “Miller Building”). There will be one 3,000 square foot addition to the Miller Building, which will house a state-of-the-art learning center as well as additional classrooms. There will also be a renovation, construction, equipping, furnishing, and refurbishing of approximately 13,000 square feet of the rear portion of the existing Miller Building, which will provide for a new state-of-the-art library, along with extra classrooms. The addition and renovations will include increased seating and instructional areas, study rooms and carrels and “smart classrooms” that will be outfitted with the latest technology. Mr. Gray explained that certain Note proceeds will be used to pay the costs of issuing the Note, along with incidental costs related to the Notes.

Mr. Gray stated that the principal amount of the Notes to be issued will not exceed \$3.2 million. The Notes will be offered in a private placement with Citizen’s Bank. He confirmed that, under the Loan Agreement with the Authority, the Academy will be required to continue to carry blanket fire and extended coverage as well as general liability insurance.

Mr. Gray testified that, in his view, the Program would be of public use and benefit and would permit the Academy to continue to render an appropriate level of service to its current and future students. Based upon his position at the Academy, he stated his opinion that the Academy would be able to meet its financial obligations under the proposed note issue and that the Academy is currently operating in a financially responsible manner.

Findings

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

- (1) The construction and acquisition of the Program will enable and assist Kimball Union Academy (herein called the "Academy"), a not-for-profit participating educational institution located in Meriden, New Hampshire, to provide education within the State of New Hampshire (herein called the "State"); and
- (2) The project financed by the Program will be leased to, or owned by, the Academy, 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 financed by the Program; 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; and
- (4) Adequate provision has been, or will be, made in any lease or mortgage of the project financed by the Program to be undertaken or any property leased or mortgaged in connection with the issuance of the note for the payment of all costs of operation, maintenance and upkeep of the project financed by the Program by the Academy 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 Academy to hold and use the Program for educational purposes so long as the principal of and interest on notes 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 notes issued to refund and refinance such notes, 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 financed by the Program 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 financed by the

Program serves a need presently not fulfilled in providing education within the State and is of public use and benefit;

Dated: June 11, 2013



Raymond S. Burton
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 Raymond S. Burton, 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 Kimball Union Academy, a not-for-profit participating educational institution which is located in Meriden, New Hampshire. The hearing was held on June 11, 2013, following public notice, in the Miller Conference Room, in the Coffin Meeting Room in the Doe Dining Comons at Kimball Union Academy, 7 Campus Center Drive, Village of Meriden, Town of Plainfield, New Hampshire at 1:30 o'clock in the afternoon.

The Governor's signature constitutes his approval under Section 147(£) of the Internal Revenue Code of 1986, as amended, of the issuance of the note described herein, as described in the Notice of Public Hearing published on June 5, 2013.

Dated: July 10, 2013

Governor and Council:

