

State of New Hampshire

DEPARTMENT OF ADMINISTRATIVE SERVICES
OFFICE OF THE COMMISSIONER
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Concord, New Hampshire 03301

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Jm

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March 21, 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 Colin Van Ostern with regard to the purchase of certain capital equipment and the refinancing of certain existing indebtedness in connection with Proctor Academy, Andover, New Hampshire and Kendal at Hanover, Hanover, New Hampshire.

EXPLANATION

These items are submitted pursuant to a request by the New Hampshire Health and Education Facilities Authority. Councilor Van Ostern has requested that these be placed on the agenda for the Wednesday, April 3, 2013 meeting for ratification by the Governor and Council.

Sincerely,

Linda M. Hodgdon
Commissioner

LMH/rjk

Attachment

**REPORT
AND
FINDINGS
OF**

COLIN VAN OSTERN, 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 projects in participation with **Proctor Academy**, Andover, and **Kendal at Hanover**, Hanover, 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 applications submitted to the Authority by the institutions listed above (collectively, the “Borrowers”), all of which are not-for-profit, charitable corporations operating health care or educational institutions in New Hampshire and which are participating institutions under RSA 195-D:3. Such application seeks the participation of the Authority, under the Act, in the construction, renovation and equipping of the Borrowers’ facilities as well as the refinancing of certain existing indebtedness (hereafter sometimes referred to as the “Program”).

Pursuant to RSA 195-D:21 above cited, the Governor and Council designated me to hold a hearing and make findings in connection with the applications. 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 March 7, 2013, the hearing was held commencing at 7:30 a.m. on Tuesday, March 12, 2013 at the office of the Authority, 54 South State Street, Concord, New Hampshire. All witnesses were duly sworn. A summary of testimony presented at the hearing follows:

Summary of Testimony

David C. Bliss 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 all the borrowers in the current Program are in the CAN program. Mr. Bliss identified the Borrowers and projects in the CAN program as follows: (1) Proctor Academy: \$2 million to refinance its existing Series 2012C Capital Note; and (3) Kendal at Hanover: \$15 million to finance various capital expenditures.

Mr. Bliss stated that the Authority is familiar with both of the institutions that will be borrowing through the Program and that all such institutions have repaid all of their prior obligations to the Authority in a timely manner. He explained that each such borrower will be judged financially responsible by the entity that purchases the borrower's note(s).

Mr. Bliss confirmed that he had received evidence from each of the health care borrowers that their capital expenditures do not require Certificate of Need approval from the Health

Services Planning and Review Board or, if such approval is required, they will not use Note proceeds for any projects requiring such approval until it has been received.

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 Borrowers' 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 February 21, 2013, approving issuance of notes for the Borrowers 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 for the current note issue and the Agreements intended for execution between the Borrowers and the Authority (or, in some cases, Agreements among a borrower, the Authority and a financial institution directly purchasing the note). He stated that there is a provision in each 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 \$17 million in notes in this phase of the Program in 2013. 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.

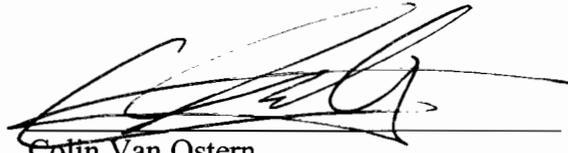
Findings

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

- (1) The construction and acquisition of the projects (herein referred to as the “Program”), as the same is described in such testimony, will enable and assist those institutions identified above (herein called the “Borrowers”), all of which are not-for-profit educational or health care institutions located in New Hampshire, to provide education or health care facilities within the State of New Hampshire (herein called the “State”); and
- (2) The projects financed by the Program or to which the refinancing of existing indebtedness relates will be leased to, or owned by, the Borrowers, all of which are financially responsible participating institutions 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 projects financed by the Program and any refinancing of indebtedness related thereto; 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 of the projects financed by the Program to be undertaken or any property leased or mortgaged in connection with the issuance of notes or notes for the payment of all costs of operation, maintenance and upkeep of the projects financed by the Program by the Borrowers 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 Borrowers to hold and use the projects financed by the Program for educational or health care 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 Program, 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 projects financed by the Program and the refinancing of any 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 projects financed by the Program serve needs presently not fulfilled in providing education and health care within the State and are of public use and benefit; and
- (8) The refinancing of existing indebtedness will assist the Borrowers in lowering the cost of providing education and health care facilities within the State and is being done in connection with the projects described herein.

Dated: March 12, 2013



Colin Van Ostern
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 Colin Van Ostern, 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 the institutions identified in the Report and Findings, all of which are not-for-profit educational or health care institutions located in New Hampshire. The hearing was held on March 12, 2013 following public notice, at the offices of the New Hampshire Health and Education Facilities Authority, Concord, New Hampshire at 7:30 a.m.

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 notes described herein and in the hearing conducted by the Authority on April 2, 2013, as described in the Notices of Public Hearing published on March 7, 2013 and March 18, 2013.

Dated: _____, 2013

Governor and Council:

