VEHBFA

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

College of St. Joseph


Vermont Law School


Northeastern Vermont Regional Hospital

2010 Annual Report

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Landmark College

Vermont Educational & Health Buildings Financing Agency

March 11, 2011

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 creation over forty-four years ago, the Vermont Educational and Health Buildings Financing Agency has been serving Vermont's non-profit healthcare and educational institutions by providing access to low cost financing. Pursuant to 24 V.S.A. §4594, it is our privilege to provide you with the Vermont Educational and Health Buildings Financing Agency 's 2010 Annual Report.

Becoming operational in 1969, the Agency has issued bonds totaling $2.376 billion through 163 series, including refundings, for qualified borrowers.

Through the combined efforts of the Board, staff and consultants, the Vermont Educational and Health Buildings Financing Agency has and will continue to provide low cost financings in an efficient and economical manner.

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

Thank you for giving us 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

2010

Board of Directors

Chair:	James Potvin
Vice-Chair:	Dawn Bugbee
Treasurer:	Edward Ogorzalek
Secretary:	Stephen Gurin
Director:	Kenneth Gibbons
Director:	Kenneth Linsley
Director:	Sandra Predom
Director:	Neil Robinson
Director:	Stuart Weppler
Ex-Officio:	Robert Hofmann, Secretary: Agency of Human Services
Ex-Officio:	Neale Lunderville, Secretary of Administration
Ex-Officio:	Jeb Spaulding, State Treasurer
Ex-Officio:	Armando Vilaseca, Commissioner of Education

Staff

Executive Director:	Robert Giroux
Administrative Assistant:	Deborah Fillioe
Assistant:	Robert Fillioe

Consultants

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

VERMONT EDUCATIONAL AND HEALTH BUILDINGS FINANCING AGENCY

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 Commissioner of Education and the State Treasurer. Since 1969, the Agency has issued $2.376 billion in bonds with $1.095 billion 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 Department of Banking, Securities, Insurance and Health Care Administration's Certificate of Need approval may be required.

Green Mountain College

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 suggest 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. These usually require 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 an 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 or investor(s) and are based on the credit quality of the transaction (rated/unrated or enhanced /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.

Vermont Educational & Health Buildings Financing Agency

Summary of 2010 Financings

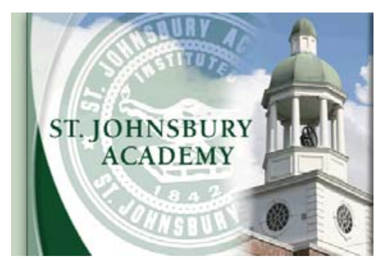
Middlebury College - Series 2010

Bond Size: $95,035,000
Credit Rating: AA2/AA
Credit Enhancement: None
Underwriter/Remarketing Agent: Goldman Sachs & Co.
Interest Rate: 5.000%
Final Maturity: 2040
Yield: 4.125%
Purpose: i) Refund the College's 1988 Series A, 2002 Series B and 2008 Bonds; and ii) Pay certain costs associated with issuing the Bonds.

Mt. Ascutney Hospital – 2010 Series A

Bond Size: $9,244,000
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank NA.
Interest Rate: Variable Rate
Final Maturity: 2030
Yield: Variable Rate
Purpose: i) Refund the Mt. Ascutney's 2004 Series A, 2005 Series A and 2008 Bonds; and ii) Pay certain costs associated with issuing the Bonds.

St. Johnsbury Academy – 2010 Series A



Bond Size: $10,600,000
Credit Rating: None
Credit Enhancement: None
Purchaser: Peoples United Bank
Interest Rate: 3.900%
Final Maturity: 2021
Yield: 3.900%
Purpose: i) Refund the Academy's 2003 Series A Bonds; ii) Construction of a new student dormitory and faculty housing facility; and iii) Pay certain costs associated with issuing the Bonds.

Vermont Educational & Health Buildings Financing Agency

Summary of 2010 Financings

Gifford Medical Center – 2010 Series A

Bond Size: $20,430,000
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank, N.A.
Interest Rate: Variable Rate
Final Maturity: 2021
Yield: Variable Rate

Purpose: i) Refund Gifford's 2006 Series A Bonds; and ii) Pay certain costs associated with issuing the Bonds.

Northwestern Medical Center – 2010 Series A

Bond Size: $13,200,000
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank, N.A.
Interest Rate: Variable Rate
Final Maturity: 2030
Yield: Variable Rate
Purpose: i) Refund Northwestern's 2005 Series A Bonds; ii) Fund certain capital improvements and equipment purchases; and iii) Pay certain costs associated with issuing the Bonds.

Rutland Regional Medical Center – 2010 Series A

Bond Size: $19,100,000
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank, N.A.
Interest Rate: Variable Rate
Final Maturity: 2030
Yield: Variable Rate
Purpose: i) Fund renovations to the Medical Center's sterile supply facilities, other capital improvements and equipment purchases; and ii) Pay certain costs associated with issuing the Bonds.

Rutland Regional Medical Center
An Affiliate of Rutland Regional Health Services

Vermont Educational & Health Buildings Financing Agency

Summary of 2010 Financings

Champlain College – 2010 Series A

Bond Size: $8,971,117
Credit Rating: None
Credit Enhancement: None
Purchaser: TD Bank, N.A.
Interest Rate: Variable Rate
Final Maturity: 2020
Yield: Variable Rate
Purpose: i) Refund the College's 2003 Series A Bonds; and ii) Pay certain costs associated with issuing the Bonds.

CHAMPLAIN COLLEGE
BURLINGTON, VERMONT

Champlain College – 2010 Series B

Bond Size: $4,000,000
Credit Rating: None
Credit Enhancement: None
Purchaser: Key Bank National Association
Interest Rate: Variable Rate
Final Maturity: 2020
Yield: Variable Rate
Purpose: i) Fund the purchase and construction of an administrative office building and parking lot; and ii) Pay certain costs associated with issuing the Bonds.

CHAMPLAIN COLLEGE
BURLINGTON, VERMONT

Burlington College – 2010 Series A

Bond Size: $6,700,000
Credit Rating: None
Credit Enhancement: None
Purchaser: Peoples United Bank
Interest Rate: 4.390%
Final Maturity: 2020
Yield: 4.390%
Purpose: i) Fund the purchase of a new College campus on North Avenue in Burlington, VT; and ii) Pay certain costs associated with issuing the Bonds.

Burlington College
Vermont USA

Summary of Outstanding Borrowers

As of December 31, 2010

Borrower	12/31/10 Outstanding Loans
Brattleboro Memorial Hospital	$10,250,000
Brattleboro Retreat	$2,485,000
Burlington College	$6,700,000
Capital Asset Pool #3	$4,200,000
Central Vermont Medical Center	$30,120,699
Champlain College	$25,516,708
Copley Hospital	$3,660,000
Developmental & Mental Health Acquisition Pool - 1999	$2,425,000
Developmental & Mental Health Acquisition Pool - 2002	$8,470,000
Developmental & Mental Health Acquisition Pool - 2006	$12,965,000
Developmental & Mental Health Acquisition Pool - 2008	$11,060,000
Fletcher Allen Health Care	$402,305,000
Gifford Medical Center	$20,334,914
Green Mountain College	$102,807
Helen Porter Nursing Home	$3,690,000
Lake Champlain Waldorf School	$1,418,199
Landmark College	$20,915,000
Lyndon Institute	$1,290,000

Summary of Outstanding Borrowers

As of December 31, 2010

Borrower	12/31/10 Outstanding Loans
Marlboro College	$3,045,000
Middlebury College	$255,420,000
Mt. Ascutney Hospital	$9,101,943
North Country Hospital	$22,260,000
Northeastern Vermont Regional Hospital	$14,670,000
Northwestern Medical Center	$13,103,366
Norwich University	$75,600,000
Porter Medical Center	$14,220,000
Putney School	$2,402,037
Rutland Regional Medical Center	$46,681,471
Southwestern Vermont Medical Center	$8,865,000
Springfield Hospital	$7,615,000
St. Johnsbury Academy	$10,564,749
St. Michael's College	$27,960,000
Stratton Mountain School	$6,315,000
Vermont Law School	$9,440,000
Total	$1,095,171,893