

Meeting of the Board
PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
November 17, 2016
Room 515 North Office Building
Harrisburg, Pennsylvania
10:46 a.m. Prevailing Time

MINUTES

1. Call to Order, Filing of Proof of Sunshine Notice and of Sending Notice of the Meeting, Roll Call and Announcement of Quorum.
2. Approval of the Minutes of the Meeting of October 6, 2016.
3. Approval of Projects.
 - A. Resolution Authorizing the Authority to Amend the Trust Indenture for the Foundation for Indiana University of Pennsylvania.
4. Old Business.
5. New Business.
6. Adjournment.

1. CALL TO ORDER, FILING OF PROOF OF SUNSHINE NOTICE AND OF SENDING NOTICE OF THE MEETING, ROLL CALL AND ANNOUNCEMENT OF QUORUM.

With a quorum of the Board being present, the meeting of the Board of the Pennsylvania Higher Educational Facilities Authority was called to order on Thursday, November 17, 2016 at 10:46 a.m. prevailing time, in Room 515 North Office Building, Harrisburg, Pennsylvania. The proof of the Sunshine advertisement and certification in regard to sending the notice of meeting is attached to these minutes and identified as Appendix "A".

Board Members Present

Steven Heuer, (Proxy for Governor Thomas W. Wolf)
Kelly Phenicie, (Proxy for Senator Lloyd K. Smucker)
Danielle Guyer, (Proxy for Representative Stanley Saylor)
Alan Cohn, (Proxy for Representative Anthony M. DeLuca)
Christopher Craig, (Proxy for Treasurer Timothy A. Reese)
Christal Pike-Nase, (Proxy for Auditor General Eugene A. DePasquale)
Gary Taylor, (Proxy for Secretary of General Services Curtis M. Topper)
Ernie Helling, (Proxy for Secretary of Education Pedro A. Rivera)

Board Members Absent

Senator Andrew Dinniman

Authority Personnel Present

Robert Baccon, Executive Director
Beverly Nawa, Administrative Officer
David Player, Comptroller

Also Present

William McCarty, Esquire, Barley Snyder LLP
Alaina Koltash, Assistant Counsel, Pennsylvania Department of Education

Participated Via Conference Call

Andrew Maher, Esquire, Cohen & Grigsby, P.C.

2. APPROVAL OF THE MINUTES OF THE MEETING OF OCTOBER 6, 2016.

A copy of the minutes of the meeting of October 6, 2016, was distributed to the Board Members prior to this meeting. It is therefore recommended that consideration be given to the adoption of the following Resolution:

RESOLVED That the minutes of the PHEFA meeting of October 6, 2016, be and hereby are approved as presented.

Upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Helling**, and after full discussion, the above Resolution was unanimously approved at the PHEFA Board Meeting of November 17, 2016.

3. APPROVAL OF PROJECTS.

A. Resolution Authorizing the Authority to amend the Trust Indenture for the Foundation for Indiana University of Pennsylvania.

Mr. Baccon explained that the Foundation for Indiana University of Pennsylvania has requested that we approve an amendment to the original Trust Indenture dated as of May 1, 2006, as previously amended and supplemented by a First Supplemental Trust Indenture dated as of May 1, 2007 between PHEFA and U.S. Bank, National Association, as trustee.

The 2006 Bonds were issued to finance the construction of the Phase I Student Housing Facilities and the 2007 Bonds were issued to finance the construction of the Phase II Student Housing Facilities on the campus of Indiana University of Pennsylvania. The Phase I Facilities and the Phase II Facilities are secured by the same mortgage. The Foundation plans to redeem the 2006 Bonds, release the Phase I Facilities from the mortgage and transfer the Phase I Facilities to Residential Revival Indiana, a Pennsylvania non-profit corporation. To finance its acquisition of the Phase I Facilities, RRI will issue bonds through a local industrial development authority. To consummate this project without jeopardizing the security for the holders of the 2007 Bonds, the Foundation requests that we agree to amend the Trust Estate under the Indenture to include certain collateral with respect to the 2016 Bonds.

The Resolution in your agenda approves all of the actions necessary in connection with the approval to amend the Trust Indenture.

Andrew Maher, Esquire of Cohen & Grigsby is on the phone to answer any questions board members may have.

Chairperson Heuer asked if board members had any questions.

Mr. Craig asked about the relationship between the Foundation for Indiana University (FIUP) and the University.

Mr. Maher explained that the Foundation is a nonprofit corporation who manages the student housing facilities on the campus of the University. They operate independently of the University. They have their own board, their own meetings. The student housing facilities are leased to the Foundation by the University.

Mr. Craig's understanding is that the Foundation is a completely separate corporation, with no formal relationship with the University except that the real property sits on real estate owned by the University.

Mr. Craig asked about the make-up of Residential Revival Indiana (RRI).

Mr. Maher said that it is another nonprofit corporation that has been formed that will take possession of the Phase I facilities. They will manage them under a separate ground lease for the University. The Phase I facilities will transfer to RRI on land that is owned by the University and leased to RRI from the University. FIUP will still hold and operate Phase II facilities on land leased to it by the University. The current ground lease will be amended and restated such that one ground lease will be from the University to FIUP and another ground lease will be from the University to RRI.

Mr. Craig asked for confirmation that RRI has no formal legal relationship with the University. He also asked if there was anything that requires RRI to make the facilities available exclusively for only student housing or could it be converted to condos.

Mr. Maher said that was correct, there is no formal relationship. They do not share a board. The ground lease agreement states that it can only be used for student housing.

Mr. Craig wondered how this coincides with our way of creating a college entity. They are not turning over ownership to the college, even after the financing is completed. They are continuing to lease it, even though the Authority financed it. He understands that is on land owned by the college and there is a lease agreement dictating the use of the property, but is that sufficient indicia of University control.

Mr. Maher said that the documents are written so that when the financing ends the property reverts back to the University.

Mr. Craig asked if the Authority has a copy of the amendment.

Mr. Maher said that the amendment had not been prepared yet. It will be sent to the Authority counsel and it would not be executed until the Authority's counsel has approved it.

Mr. Craig indicated that he was generally okay with the transaction, but he does not like the notion that the board is authorizing an amendment that refers to certain collateral. He does not know what the collateral is and he has no idea what the amendment is or what other legal criteria or constraints are associated with the amendment. He trusts that people know what they are doing, but as a board, with a fiduciary obligation, it is a little shaky for us to be saying we authorize the amendment without completely understanding what that amendment does.

Mr. Maher said that the 2006 bonds are being refunded and the facilities are being released from the mortgage. They are trying to protect the 2007 bondholders who have an interest in that revenue stream that is being taken away. By including language in the 2007 trust estate with language that certain payments will still be available to the 2007 bondholders if they need it. That is the collateral assignment.

Mr. Craig asked if you then have two people fighting over that same pool of payments.

Mr. Maher answered no, because that money will not be included in the estate for the 2016 bonds.

Mr. Helling asked if the transaction was for the benefit of bondholders, not for the benefit of the University.

Mr. Maher said that was correct.

Chairperson Heuer said that it was to protect the 2007 bondholders.

Mr. Craig said that if they are pledging the revenue stream for a certain period of time to protect the 2007 bondholders, what is the revenue stream to pay the 2016 bonds.

Mr. Maher said that the Phase I facilities are being transferred to RRI. The money derived from the operation of that facility is being used to pay the 2016 bondholders. The caveat is that surplus derived from the operation of the Phase I facilities is being assigned to the 2007 trust estate to protect the 2007 bondholders who had an interest in the Phase I operation because the Phase I and Phase II facilities were under the same mortgage. The mortgage now is for the 2006 and 2007 properties. After the transaction is finished it will only be for the 2007 property.

Chairperson Heuer asked if board members wanted more information.

Mr. Craig indicated that in the future he would like this spelled out as if you are teaching an elementary school student.

Chairperson Heuer asked when the amendment would be sent to counsel and what is the deadline on it.

Mr. Maher said that it would be sent in the next couple of weeks and they would need it back by December 15th.

Chairperson Heuer believes that the board needs to receive the amendment and get more comfortable with it before they take a vote on the resolution.

Mr. McCarty asked if they had reached a conclusion that this proposed amendment is not detrimental to the bondholders and that they are not looking for bondholder approval. He also asked that the opinion be addressed to the Authority even though it is not our issue.

Mr. Maher said that is completely to protect the interest of the 2007 bondholders. He agreed to include the Authority as an addressee on the opinion.

Chairperson Heuer said that the resolution would be tabled. We would figure out how to get together to resolve this issue, either by phone or through a December meeting.

4. OLD BUSINESS.

Chairperson Heuer asked if there was any old business to come before the Board, and hearing none, he moved to new business.

5. NEW BUSINESS.

Chairperson Heuer asked if there was any new business to come before the Board, and hearing none he asked for a motion to adjourn.

6. ADJOURNMENT.

There being no further business to come before the Board at this time, upon **MOTION** by **Ms. Pike-Nase**, and **SECONDED** by **Mr. Helling**, the PHEFA Board Meeting was adjourned at 11:01 a.m.

SUNSHINE ACT MEETING NOTICES Thursday, November 10, 2016

SUNSHINE ACT MEETING NOTICES

Thursday, November 10, 2016

If you need an accommodation due to a disability,
please contact the ADA Contact name listed below.

Cancelled, State Board of Auctioneer Examiners, 11/14/2016, 9 AM, 2601 N. 3rd Street, HBG.,
Contact: Molly Smith 214-1891

Special, State Board of Pharmacy, 11/15/2016, 12:30 PM, 2601 N. 3rd Street, HBG., Contact:
Molly Smith 214-1891, This meeting will be directly after the regularly scheduled board
meeting. Time is approximate.

Special, State Public School Building Authority and Pennsylvania Higher Educational Facilities
Authority, 11/17/2016, 10:30 AM, Room 515, North Office Bldg., HBG., Contact: Bev Nawa
975-2204

Oil and Gas Technical Advisory Board (TAB) meeting, 11/22/2016, 10 AM, RCSOB, 400
Market Street, Room 105, HBG., Contact: Todd Wallace 783-6395

PA Human Relations Commission Meeting, 11/28/2016, 1 PM, 333 Market St., First Floor -
Honors Suite, HBG., Contact: Toni Crawford 783-8172

Pennsylvania Workforce Development Board Meeting, 11/29/2016, 10 AM, 400 Bent Creek
Blvd, Mechanicsburg, Contact: Pamela Cohen 787-2368

Appeared in: *Patriot-News* on Thursday, 11/10/2016

PENNSYLVANIA HIGHER EDUCATIONAL FACILITIES AUTHORITY
Notice of the Meeting of the Board to be Held
November 17, 2016

Notice was in letterform, as follows:

This letter advises that a meeting of the Pennsylvania Higher Educational Facilities Authority Board will be held on **Thursday, November 17, 2016**, at **10:30 a.m.**, in **Room 515 North Office Building, Harrisburg**, Pennsylvania, for the purpose of: (a) approving certain projects for financing; and, (b) consideration of such other matters as may properly come before the Board.

Enclosed herewith is a copy of the notice that has been posted on the bulletin board in the Authority office, in accordance with Act No. 213, 1957.

I would appreciate it if you would make the appropriate notation on the attached slip, indicating whether or not you plan to be present at the meeting and return same to us.

Sincerely,

/s/ Robert Baccon

Robert Baccon
Executive Director

Enclosures

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Appendix A

Harrisburg, PA

I CERTIFY that the notice on the previous page for the November 17, 2016, meeting was dispatched to the following on November 2, 2016, at the addresses indicated, constituting all of the members of the Board of the Pennsylvania Higher Educational Facilities Authority.

Thomas W. Wolf, Governor of Pennsylvania
225 Main Capitol Building, Harrisburg, PA
Steven S. Heuer, Proxy for Governor Wolf
333 Market Street – 18th Floor, Harrisburg, PA
Lloyd K. Smucker, Designated by the President Pro Tempore of the Senate
351 Main Capitol Building, Harrisburg, PA
Andrew E. Dinniman, Designated by the Minority Leader of the Senate
182 Main Capitol Building, Harrisburg, PA
Stanley E. Saylor, Designated by the Speaker of the House of Representatives
105 Ryan Office Building, Harrisburg, PA
Anthony M. DeLuca, Designated by the Minority Leader of the House of Representatives
115 Irvis Office Building, Harrisburg, PA
Timothy A. Reese, State Treasurer
129 Finance Building, Harrisburg, PA
Eugene A. DePasquale, Auditor General
229 Finance Building, Harrisburg, PA
Curtis M. Topper, Secretary of General Services
515 North Office Building, Harrisburg, PA
Pedro A. Rivera, Secretary of Education
333 Market Street - 10th Floor, Harrisburg, PA

GIVEN under my hand and seal this 2nd day of November 2016.

/s/ Robert Baccon

Robert Baccon, Executive Director
State Public School Building Authority
Pennsylvania Higher Educational Facilities Authority