HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

April 16, 2008

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, April 16, 2008, at 11:00 a.m. at the offices of the Ohio Board of Regents, 36th Floor, State Office Building, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chairman; Richard Petrick, Vice Chairman; John Wells, Secretary; Kenneth Kutina, Deputy Secretary; and Wanda Carter. Ronald E. Cosey and Sam Speck were absent. Also present were: Thomas Cunningham, Vice President for Financial Administration and Robert Munson, Director of Financial Services, for Xavier University; Daniel Bryant, Vice President for Administration and Finance of Marietta College; Francis Barry Keefe and Alexander G. Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission; and James Wermuth of the Ohio Board of Regents.

The meeting was called to order by the Chairman. Upon call of the roll, Mr. Wells declared that a quorum was present. He also stated that the notice of this meeting had been given to all media, organizations or other persons who requested that information in accordance, and in full compliance, with Section 121.22 of the Revised Code.

The Chairman noted that the minutes of the Commission meeting of March 19, 2008, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. The Commission members present unanimously approved the minutes of that meeting.

XAVIER UNIVERSITY

The Chairman called on Thomas Cunningham, Acting Vice President for Financial Administration of Xavier University to update the Commission as to the University's proposed bond issue. Mr. Cunningham first noted that he has been at the University for 24 years and has worked on all of the University's bond issues during that time. He became Acting Vice President when Richard Hirte retired this year. Mr. Cunningham stated that in developing the bond issue since the University received preliminary approval in October 2007, the University has determined to proceed with the refunding of its 2003 and 2006 bond issues. The primary benefits of the restructuring will be to reduce and extend debt service costs, as well as to obtain more favorable financial covenants for the University. The University considered numerous structuring options, but ultimately has determined to proceed with variable rate bonds secured by a letter of credit provided by U.S. Bank. The University will be entering into interest rate swap transactions in connection with the bond issue as well. With regard to other University initiatives, Mr. Cunningham noted that the University is in the process of providing for, and planning updates to, various academic buildings and common areas, as well as evaluating expected donations and borrowing needs for those projects. The University expects to return to the Commission for some level of financing for these projects some time in the next two to three years. Mr. Cunningham then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Cunningham noted that the prior bond issues financed and refinanced various University facilities, notably including the convocation center and Schott Hall. The prior bond issues also financed a smaller amount of technology improvements; however, Mr. Cunningham noted his preference is not to finance those types of improvements, which are generally shorter lived assets. In the future, the University intends to replace technology assets out of its own funds. In response to a question from Mr. Petrick, Mr. Cunningham noted that the maturities of the existing bonds will be extended, with the expectation that the final maturity of the proposed bond issue will be in the year 2042.

Mr. Keefe commented that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the bond issue for the University and the related bond documents.

Ms. Carter moved and Dr. Kutina seconded the motion that Resolution No. 2008-09 be adopted.

There being no further discussion, the Chairman called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Carter, Kutina, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-09 adopted.

Resolution No. 2008-09 is as follows:

MARIETTA COLLEGE

The Chairman called on Daniel C. Bryant, Vice President for Administration and Finance of Marietta College, to discuss the College's request for financing. Mr. Bryant thanked the Commission members for the opportunity to discuss the College's proposal and noted that President Scott sends her regards. Mr. Bryant stated that the College's proposal is to finance the construction of an approximately 335-bed student residence facility for the purpose of replacing certain existing residence facilities, as well as creating additional capacity. The College's preference would be to construct these facilities without incurring additional debt, but Mr. Bryant has concluded that a bond issue is necessary. The Board of Trustees is expected to make a final determination regarding the possible incurrence of additional debt at its next meeting. In discussing the College's proposal, Mr. Bryant noted that enrollment numbers are aided by the number of international students on campus, including approximately 150 students from China. College relationships with China are going well. The College intends to maintain and enhance those relationships and to maintain the flow of international students, as well as to create learning and educational opportunities for its students in that country. The College also has thoughtfully considered the various economic factors in connection with its proposal, including its ability to fill the proposed residence facilities with students in a difficult economic environment. The College is working to maintain its trend of improving retention and graduation rates, as well as lowering the discount rate from its current 43% to at or below the 40% recommended by the Higher Learning Commission.

The College is currently in the process of a capital campaign in which it has raised $31 million toward its ultimate $50 million goal. The campaign, which is intended to increase the size of the College's endowment, has been so successful that it may be extended by an additional three years with an increased ultimate goal of $75 million. Last year the College's endowment increased by approximately 17%, beating expectations. With regard to other College projects, Mr. Bryant noted that the new library, which was financed by the Commission's last bond issue for the College, will be completed in June. The College is also in the process of constructing a new 4,400 square foot, 100-seat, state-of-the-art planetarium, which should be completed in January 2009 and is being financed entirely by gifts. These projects, as well as the projects that are the subject of the College's current proposal, are all consistent with the existing College strategic plan, as well as with its "Vision Plan" for the year 2020.

Discussing the current project in greater detail, Mr. Bryant stated that the new residence facilities will replace Parsons Hall and some fraternity housing. These are generally older facilities that need to be replaced so that the College may offer modern residence facilities more in line with what is offered by the College's competitors. For example, of the College's 13 residence facilities, only two are air-conditioned. The College currently has to direct approximately 60 to 100 students a year to off-campus housing due to lack of availability of on-campus housing. This, coupled with increased enrollment trends, is the basis for the College's request for additional student residence facilities, in addition to the proposed replacement residence facilities.

In reviewing the College's debt structure, Mr. Bryant stated that the College has considered and continues to consider various financing options in connection with the proposed project. The College has considered using developers to build the residence facilities; however, it has been difficult to find one with a proven track record. The use of a developer would also mean taxable rather than tax-exempt obligations for the College. The College has also considered the suggestion of soliciting investors to loan money to the College in the expectation that they would forgive all or a portion of that loan at some time in the future (then treating it as a gift). Mr. Bryant noted that this arrangement would place a burden on his successors, if it was not determined at the outset whether those loans would in fact be forgiven. The College also is considering proposals from various underwriting firms, including Bank of America Securities and PNC Capital Markets. They have advised the College that, should it proceed with a bond issue through the Commission, a bond rating assigned to the College would likely be in the "BBB" category. In referring to handouts distributed to the Commission members, Mr. Bryant noted that financings for this project should be self-amortizing and that the College is considering developing the project in one or two phases. Mr. Bryant indicated his preference is to complete the project in one phase, thereby only requiring a single bond issue and avoiding the need for a partial closure of Parsons Hall. For current financing models to work, the College needs to construct the new residence facilities at a cost of $55,000 per bed. Consultants have advised that this is possible; however, Mr. Bryant is mindful of the national $65,000 per bed average cost. With regard to the higher room charges that will be required in connection with the new residence halls, recent experience has been that the newer, more expensive residence halls are the most popular with students, and that there has been little resistance to the higher charges associated with them. Overall, Mr. Bryant believes that, should the College ultimately determine to proceed with the issue, it can safely do so within its financial limitations. Mr. Bryant further noted that the College's Request for Proposals for the residence facilities has requested that "green" building concepts be included as part of the response.

The College also is intending to buy a former Moose Lodge adjacent to the campus at a purchase price of approximately $1.9 million (not to be financed with bonds). Mr. Bryant then inquired of the Commission members whether they had any questions.

In responding to a question from Dr. Kutina, Mr. Bryant noted that the Moose Lodge purchase was indeed necessary. Right now Selby Hall contains the College's science and physician assistant programs. The Moose Lodge would provide space for expanding the physician assistant program (from 44 to 72 students), as well as relieve current space pressure on the science program. Mr. Bryant also noted that the several of the College's art programs are located in a 1920's vintage building originally intended to house a boiler plant. Various accreditation agencies have noted the need for a different facility for those programs, which the former Moose Lodge can provide. Mr. Bryant has considered that the money spent for the Moose Lodge could be used to reduce the borrowing need for the residence facilities. But the opportunity to acquire adjacent property, the need for the expanded academic spaces, as well as the approximately 80 parking spaces that come with it, led him to conclude that the College should complete the purchase. Responding further to questions from Dr. Kutina, Mr. Bryant stated that the College is being proactive regarding enrollment considerations and the projected decline of high school graduates in the State over the next several years. In fact, the College is revising its 2020 plan to provide for more conservative enrollment assumptions. These more conservative assumptions are built into the College's current models for housing needs, and the College continues to focus on student retention and graduation rates and new admissions while at the same time working toward a more selective admissions criteria.

Mr. Keefe expressed his appreciation that Mr. Bryant chose to come to the Commission at this relatively early stage in the planning process and that it has been interesting to learn what goes into the analysis as the College weighs its various financing options. The Commission's policy has always been that a college or university should go after the best financing it can get, whether or not it includes a bond issue. Dr. Kutina then inquired about the proposal in which "investors" would loan money to the College with the hope or expectation that the loans be forgiven in the future. Mr. Bryant noted that one of the principal concerns with this type of arrangement would be to have a clear understanding at the outset of what the donors' intentions were. Mr. Bryant continued by noting that through its China relationships, a new Chinese cultural arts center has been proposed. A site for the facility has been chosen, although the College continues to work with the Chinese donors regarding terms of the gift intended to finance the facility. Responding to questions from Mr. Petrick and Mr. Needles, Mr. Bryant noted that the College is careful to take its flood plain location into account. Planning elements often include elevated buildings and moats. Should the College determine to proceed with the bond issue, Mr. Bryant would expect to return to the Commission in June.

Mr. Keefe stated that the Resolution for consideration approves the preliminary agreement between the Commission and the College. Since Mrs. Carter has stated that she will abstain from voting on this matter because her firm represents the College in certain legal matters, there are not enough voters to adopt the Resolution.

The Chairman then tabled the Resolution until a later meeting.

OTHER BUSINESS

University Hospitals Health System

Mr. Burlingame explained that the Hospital System is requesting a supplemental resolution. The new resolution supplements the Commission's resolutions adopted at its last meeting to authorize bonds to refinance outstanding auction-rate bonds. The supplement authorizes the use of additional underwriters for the transaction. The proposed financing will be secured by letters of credit from various banks, and the Health System would like to include the underwriting affiliates of those banks in the financing teams.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2008-10 be adopted.

There being no further discussion, the Chairman called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Carter, Kutina, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-10 adopted.

Resolution No. 2008-10 is as follows:

Capital University

Mr. Burlingame noted that Capital University intends to change its remarketing agent in connection with its current bond issue secured by a National City Bank letter of credit. This is largely a consequence of National City's recently well-publicized financial difficulties. Recently, Capital University has been experiencing significantly increased interest costs, and hopes that a change of remarketing agents will help bring down interest rates.

Otterbein College

Mr. Burlingame stated that the Resolution for consideration approves the preliminary agreement between the Commission and the College. Since Mrs. Carter has stated that she will abstain from voting on this matter because her firm represents the College in certain legal matters, there are not enough voters to adopt the Resolution.

The Chairman then tabled the Resolution until a later meeting.

NAHEFFA

Mr. Needles, Mr. Keefe and Mr. Burlingame discussed their attendance at the NAHEFFA meeting in Washington, D.C. earlier this month. The meeting was very informative with good, knowledgeable speakers. There were opportunities to meet members and staff from other higher education and hospital bond issuing authorities. The Commission also briefly discussed the proposed NAHEFFA logo with the consensus being that the organization should try to improve on the current proposals before finalizing it. Mr. Keefe was authorized to pass along these comments to NAHEFFA. Dr. Kutina indicated that he would be interested in attending the NAHEFFA meeting in September.

Fee Policy

There was also a brief discussion of the Commission's fee policy, noting that the issuance fee is divided into proportional parts if as a part of the financing bonds are issued in multiple series rather than as single series.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on May 21, 2008, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

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Deputy Secretary