HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

January 16, 2008

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, January 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: Richard Petrick, Vice Chairman; Kenneth Kutina, Deputy Secretary; Wanda Carter, Ronald E. Cosey, Henry Kasson and Sam Speck. Thomas Needles and John Wells were absent. Also present were: Ronald Watts, Vice President for Finance, and Mark Bates, Assistant Vice President for Finance, for Oberlin College; Joyce Antoncic from The Bank of New York Trust Company, N.A.; Francis Barry Keefe and Alex 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 Vice Chairman. Upon call of the roll, Dr. Kutina 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 Vice Chairman noted that the minutes of the Commission meeting of December 12, 2007, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. Dr. Kutina provided minor comments with respect to the draft minutes. The Commission members present unanimously approved the minutes of that meeting as revised to reflect Dr. Kutina's comments.

OBERLIN COLLEGE

The Vice Chairman then called on Ronald Watts, Vice President for Finance of Oberlin College, to discuss the College's request. Mr. Watts thanked the Commission members for their consideration of the College's current request and noted that the College was last before the Commission in the fall of 2005. In the summer of 2007, Marvin Krislov became the 14th president of the College. Prior to coming to Oberlin, Mr. Krislov had been Vice President and General Counsel at the University of Michigan. One of Mr. Krislov's early initiatives is to focus on College relationships with the City of Oberlin. In connection with the College's current request, Mr. Watts discussed the Board of Trustee's approval last fall of a climate neutral building plan that would apply to all new building projects on the College campus. This increased focus on energy conservation and creating a more "green" campus is consistent with the College's tradition of being at the forefront of social issues. Part of the proposed bond issue includes the expansion and renovation of Allen Memorial Art Museum to create a more environmentally friendly building. Professor David Orr at the College is working closely with the new president to implement the plan approved by the Board of Trustees. A feasibility study is expected to be completed this summer and is only a part of the College's expected five to ten year implementation of its green initiative. With regard to other College projects, Mr. Watts noted that great progress has been made on the Litoff Building project, which will be a world-class facility for the College's jazz program. Most of the approximately $20 million construction cost will be covered by contributions, though some proceeds of the 2006 Bond issue will be applied toward the project as well. With regard to the financial condition of the College, last year was one of its best, with the endowment reaching nearly $800 million. While the endowment will likely see some adverse effect as a result of recent economic conditions, historically the College performs well as compared to its peers in "down" markets. Part of this comes from the focus on diversifying College investments, which includes private equity investments, investments in hedge funds and in oil and gas. The Board of Trustees has an investment committee, the primary purpose of which is to monitor the performance of, and direct any changes in, the College's investments. Mr. Watts then inquired of the Commission members whether they had any questions in respect of the College or its proposal.

Dr. Kutina complimented Mr. Watts on the quality of the College's application to the Commission and on its recent positive economic performance. Dr. Kutina then inquired as to the College's strategic plan and how the College intended to achieve more diversity and revenue while at the same time seeking to reduce the size of the student body. Mr. Watts confirmed that this will be a real challenge for the College. In recent years, the College has outgrown its infrastructure, in large measure due to the admission of more students each year without the development of additional facilities to support them. The College is also planning for the expected down-turn in the numbers of available qualified applicants in the coming years. What the College is really trying to do by reducing the number of students is to improve (reduce) the amount per student that can be spent out of the College's endowment. This ratio improves with a smaller student body. Savings would also be realized as operating expenses would be reduced. As the College becomes more selective by enrolling fewer students, it expects that it will obtain more "full-pay" students, freeing up more money that can be spent out of the endowment for those with need.

Further discussion ensued regarding the College's current proposal. Mr. Watts noted that prior to 2006, the College had not invested in new student housing since the early 1960s. The new student residence facility addresses the need for more modern facilities. Mr. Watts further confirmed that the interest rate hedge agreement the College entered into with Morgan Stanley extended to 2048 and that it is expected to be in place for so long as the proposed bonds are outstanding. The College believes that the agreement will lower the overall interest cost of the borrowing to the College, although it is assuming some tax basis risk in connection with the arrangement. In response to a question from Mr. Speck, Mr. Watts noted that even if tax rates go down, the College would still be in a better position for having entered into the swap. Mr. Speck further inquired as to the per-bed cost of the proposed residence facility and remarked that it seemed high as compared to other proposals the Commission has recently seen. Mr. Watts noted that the residence facility that was part of the College's 2006 project had a cost of approximately $70,000 per bed. With regard to the dormitory that is the subject of the College's current application, it is intended to be a facility that will not only be in existence for a number of decades, but also will be regarded as a premium, environmentally friendly facility. While it costs more to build a facility like this initially, the College expects to realize subsequent savings from operations and from the energy conservation measures. Though the approximately $100,000 cost per bed of the proposed facility may be higher than costs of other similar college projects in Ohio, it is lower than the cost of similar projects of Oberlin's competitors. Institutions such as Harvard and Yale have built residence facilities at a cost of approximately $160,000 per bed. Mr. Watts further noted that approximately 22% of the College's students come from the Midwest. Locally, the College has entered into an arrangement with the City of Oberlin so that any qualified local public high school student can attend the College tuition free.

Mr. Cosey next inquired of the status of the College's various renovation projects. Mr. Watts noted that this was being done at an overall cost of approximately $70 to $80 million as a part of an overall Residential Master Plan. This summer, the College intends to renovate 11 campus buildings to provide HVAC, plumbing, energy conservation, security and related facilities. The 200 additional beds provided by the new dormitory facility will provide "swing" space for students so that more significant renovations can be undertaken at existing residence facilities. Responding to further questions from Mr. Cosey, Mr. Watts stated that there were three ways to grow the endowment. The first is to monitor and when possible to improve investment performance. The College's investment committee is responsible for this. The second way to grow the endowment is to maintain focus on the College's plan to solicit gifts from friends of the institution and from alumni. Typically, the College receives $9 to $12 million in gifts in any given year. The third way to grown the endowment is with regard to spending. Currently, the College spends 6% annually out of its endowment. While this rate is admittedly high, it is consistent with the Board's stated goals of using the endowment to improve diversity and access to the College. Mrs. Carter asked Mr. Watts to expand on his comment that the last 100 students of any class were the most costly. Mr. Watts stated that, in recruiting, the College focuses on the top 5% of a high school class. There is a finite number of this type of qualified applicant. As a result, the more students the College tries to recruit out of this pool, the more incentives they have to offer in order to bring them to Oberlin. In this situation, even a student who would otherwise be able to pay their own way will be offered financial incentives. In responding to further questions, Mr. Watts noted that the College's definition of diversity went beyond only racial components, but also included geographic, economic and social aspects.

Ms. Carter also complimented Mr. Watts on the high quality on the College's "fearless" publication geared toward teenagers.

Dr. Kutina complimented the College on its emphasis on environmentally friendly facilities. Mr. Watts stated that this is consistent with the College's social mission, in this instance addressing the acknowledged problem of global warming. At a practical level, Mr. Watts also noted that this program was exciting for both alumni and prospective students and works to maintain their interest in the College. In response to a question from Mr. Kasson, Mr. Watts noted that the College has not specifically looked at the rate of return it receives on the significant discounts it gives to students. This would be a difficult figure to track, however the College works hard to include alumni in its fundraising efforts. Many graduates have entered into fields that may not enable them to give significantly. Many graduates also have to split support between the College and the other graduate schools. Mr. Petrick congratulated Mr. Watts with respect to the quality of the College's various development plans, especially with respect to the planned modernization and expansion of housing facilities. Mr. Petrick inquired as to whether the College was in fact increasing the number of on-campus beds while at the same time trying to reduce the size of the student body. Mr. Watts confirmed that was indeed the case; the College needs the additional beds for its plan to move a higher percentage of the student body into more traditional on-campus housing (as opposed to living off-campus, as many students now do). With regard to the proposed refinancing of bonds issued in 2003, Mr. Watts noted that the 2003 bonds have fixed interest rates and were issued for science center improvements and other College facilities. The refinancing of those bonds will result in significant annual cost savings to the College. The current estimate of savings is approximately $3 million over the life of the bonds (approximately $200,000/year). Responding to a further question from Mr. Kasson, Mr. Watts noted that swap transaction discussed earlier is in most respects a separate transaction from the bond issuance and can be unwound at any time. When the rating services such as Standard & Poor's and Moody's review the College and any bonds issued for its benefit, an important part of their analysis includes reviewing the status of any of these types of arrangements and how they might positively or negatively effect the College.

Mr. Keefe stated that the resolution for consideration approves the preliminary agreement between the Commission and the College, which is in its usual form.

Mrs. Carter moved and Mr. Cosey seconded the motion that Resolution No. 2008-01 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, Cosey, Kasson, Kutina, Petrick, Speck

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-1 adopted.

Resolution No. 2008-1 is as follows:

OTHER BUSINESS

There then ensued discussion regarding the Myers University situation. Mr. Keefe noted that each of the implicated bond issues are secured by a Fifth Third Bank letter of credit. The president of the University was fired in December and a Common Pleas Judge in Cuyahoga County has largely taken over the affairs of the institution, including approving the appointment of several new board members. Mr. Petrick noted that it is his understanding that the various individuals who were attempting to support the University financially have been doing so in their individual capacities, rather than as representatives of the University of Northern Virginia. Commission members agreed to monitor the situation and discuss the matter further at the next meeting.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on February 20, 2008, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Deputy Secretary