

HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

July 16, 2008

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, July 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: John Wells, Chairman; Richard Petrick, Vice Chairman; Kenneth Kutina, Secretary; Wanda Carter; Ronald Cosey; Lynnda Davis; Thomas Needles; James Shindler; and Sam Speck. Also present were: representatives of the institutions appearing before the Commission; William Elliott of PNC Capital Markets; Greg Fawcett of Banc of America Securities; 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.

Mr. Wells noted that this was his first meeting as the new Chairman of the Commission. His first order of business is to welcome Mrs. Davis and Mr. Shindler to their first meeting as Commissioners. Secondly, Mr. Wells thanked Tom Needles for his exemplary service to the Commission as Chairman for the last ten years. The other members joined in expressing appreciation for that service. Mr. Wells was also happy to note that Mr. Needles continues as a member of the Commission and he looks forward to working together for many years.

The Chairman noted that the minutes of the Commission meeting of June 25, 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.

CASE WESTERN RESERVE UNIVERSITY

The first item on the agenda for consideration was final approval of the proposed expansion of Case Western Reserve University's commercial paper program. Robert Brown, Treasurer of the University, appeared at the June 25th Commission meeting in connection with its request. There were not, however, enough voting members present at that meeting to vote on the proposed resolution. The resolution was continued until this meeting.

Mr. Burlingame commented that the documents have been prepared and are presented in substantially final form. The resolution under consideration approves the increase of the principal amount under the commercial paper program for the University and the related documents.

Mr. Petrick moved and Mr. Needles seconded the motion that Resolution No. 2008-19 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, Davis, Needles, Petrick, Shindler, Speck, Wells

Nay: None

Abstain: Kutina

The Chairman declared the motion passed and Resolution No. 2008-19 adopted.

Resolution No. 2008-19 is as follows:

DEFIANCE COLLEGE

The next item on the agenda for consideration was the final approval of the bonds for Defiance College. The bonds will finance the renovation of Whitney Hall and Dana Hall, as well as improvements to Tenzer Hall. Lois McCullough, Vice President for Finance and Management, appeared at the June 25th Commission meeting in connection with its request. There were not, however, enough voting members present at that meeting to vote on the proposed resolution. The resolution was continued until this meeting.

Mr. Burlingame stated that the documents have been prepared and are presented in substantially final form. The resolution under consideration authorizes the issuance of the bonds for the College and approves the related documents.

Dr. Speck moved and Mr. Cosey seconded the motion that Resolution No. 2008-20 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: Cosey, Davis, Kutina, Needles, Petrick, Shindler, Speck, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2008-20 adopted.

Resolution No. 2008-20 is as follows:

NOTRE DAME COLLEGE

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Notre Dame College financing. The Chairman inquired as to whether there were any comments. No comments having been made and the Commission having received none in the mail or otherwise prior to the hearing, the Chairman closed the public hearing.

Financing Update

The Chairman then called on John Phillips, Vice President for Finance and Administration of Notre Dame College, to update the Commission members as to the College's financing. Mr. Phillips thanked the Commission members. Mr. Phillips noted to Commission members that the financing is primarily to pay costs of additional student housing facilities at the College. The need for the facilities is critical; the College last built new housing facilities in 1968. The College's enrollment has grown from 330 to 900 students and is expected to grow to 1,200 students. Work on the smaller building (84 beds) commenced in March. The larger facility (204 beds) is to be completed by September 2009. The bonds will finance two apartment-style residential facilities. Some outstanding debt of the College will also be refinanced with bond proceeds. It is anticipated that the bond issue will close some time in mid to late August. Mr. Phillips then inquired of the Commission members as to whether they had any questions.

In response to a question from Mr. Petrick, Mr. Phillips noted that the project is to meet current demand for student housing. At present, 120 students live in off-campus housing owned by the College. The College intends to bring those students back to on-campus housing facilities. In response to questions from Dr. Kutina, Mr. Phillips noted that recent College growth is attributable to its conversion to a co-educational institution, the establishment of a dedicated enrollment "team" and the development of new program offerings (both academic and athletic). Currently, the male to female student ratio is 50:50; however, a higher percentage of adult students are female. In response to questions from Mr. Cosey and Dr. Speck, Mr. Phillips remarked that the College monitors closely the students who live in off-campus housing; students who live in off-campus College-owned housing are those who the College views as having the maturity to live in those facilities. The College endeavors to charge market rates for off-campus housing facilities, which are typically 5% lower than what would be charged for on-campus facilities. On-campus living is more attractive for those students who participate in College athletic programs, as well as those who want to avoid the commute. In response to questions from Mr. Wells and Dr. Kutina, Mr. Phillips stated that included in the off-campus housing facilities are College-owned apartments approximately half a mile away from the campus. Those students use a shuttle bus operated by the College to commute to the campus. The College intends to pay-off the bonds primarily through housing revenues, but also will have general revenues available for that purpose. Mr. Phillips also confirmed that a portion of the project includes the construction and expansion of classroom and dining hall facilities and the improvement of electrical switch-gear facilities.

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

Mrs. Carter moved and Dr. Kutina seconded the motion that Resolution No. 2008-21 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, Davis, Kutina, Needles, Petrick, Shindler, Speck, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-21 adopted.

Resolution No. 2008-21 is as follows:

XAVIER UNIVERSITY

The Chairman welcomed Beth Amyot, Vice President for Financial Affairs of Xavier University, to speak to the Commission members regarding the University's request. Ms. Amyot thanked the Commission members, noting that she officially joined the University on May 1st, having previously served in the finance departments of West Virginia University, the University of Connecticut and Western Connecticut State University. She has 20 years of experience as a Chief Financial Officer of universities or university-affiliated foundations. Xavier University is a Jesuit co-educational institution of higher education with a headcount enrollment of approximately 6,600 (5,800 FTE). The University is comprised of three colleges and currently enjoys a 13:1 faculty to student ratio with an average class size of 20 students. The University endowment currently stands at approximately \$122 million. Father Graham, S.J., has been the president of the University since 2001 and during his tenure strategic and physical master plans have been implemented for the University. Recent areas of emphasis for the University have been on enrollment and budget planning. Savings achieved by the University through its recent refinance transaction through the Commission has made possible the project for which the University now comes for preliminary approval. The University is ranked well by *U.S. News and World Report* in its annual surveys of universities, with the University enjoying particular strength in its Business and Masters in Business Administration programs.

In describing the project that is the subject of the University's request, Ms. Amyot referred to the handout distributed to Commission members, noting that the Hoff Academic Quad project primarily consists of the construction of three new buildings: a University Learning Commons; a new building for the College of Business; and a new building to house the central utility plant. The new Learning Commons building and the new College of Business building would each be approximately 90,000 square feet in size, while the new central utility plant would be approximately 10,000 square feet in size. In developing this project and the overall appearance of the University campus, the University has acquired a number of residential homes and negotiated the vacation of a local street so as to create a more cohesive campus, as well as a true campus entry point. Components of the project include gothic style architecture and concealed HVAC facilities on the roofs of the respective buildings. The proposed building for the College of Business will be four stories, containing classroom, office and mechanical facilities, as well as common areas. The Learning Commons will be situated in close proximity to the University's existing library, and will provide an open space for use by students and faculty. The current designs call for a five-story structure of steel and masonry construction. It will include student services such as counseling, remedial instruction and technology labs. Assistance to faculty will also be available, particularly in the use of technology. The proposed central heating plant includes space for a 1,000-ton chiller and will be one story in height (with a basement). That building is being constructed to provide for additional capacity to the extent campus growth requires it. Lastly, Ms. Amyot noted that a part of the proposed financing may include a new University welcome center. Ms. Amyot then inquired of the Commission whether they had any questions in respect of the University's request.

Dr. Speck complimented Ms. Amyot on the quality of her presentation. In response to questions from Dr. Speck, Ms. Amyot stated that the new buildings are being constructed with the view to meet existing needs. The University is only expecting modest growth of approximately 15 to 20 students per year, and it is not relying on this growth to pay for

the proposed bonds. Current use of classroom facilities on campus is at capacity. The additional space will provide greater flexibility in scheduling and provide space for new and expanded University programs. As part of its overall plan, the University intends to demolish certain older, energy-inefficient buildings and to relocate the classrooms and offices to other buildings, including the new buildings. One of the design components of the new buildings is to use chilled beams in the ceilings for cooling purposes, resulting in a 25% savings in operating costs of cooling. Approximate project costs of the three buildings are \$98 million. It is anticipated that there will be an additional \$18 million worth of campus renovations to be undertaken in the next three to four years. Ms. Amyot confirmed that the bond issue will be a "net-funding." The University is only borrowing for what it has not raised in gifts.

The University has selected Lehman Brothers as its underwriter for the financing, with an anticipated closing in late October. The University intends to obtain an underlying rating on its credit, from either or both of Standard & Poor's and Moody's rating services. With its own rating or ratings, the University may proceed with the bond issue without the need for a letter of credit or bond insurance. Ms. Amyot further noted that part of the requested financing includes funds for deferred capital maintenance. Although the University is implementing a plan so as to avoid the need to finance future maintenance needs, the University has determined that borrowing for the existing backlog (approximately \$22 million) is in the best financial interest of the University. Dr. Speck thanked Ms. Amyot and asked to be excused from the meeting in order to leave for the airport.

In response to questions from Dr. Kutina, Ms. Amyot noted that a large portion of the debt service on the proposed bonds will be paid as a result of the savings (approximately \$4.5 million a year) that the University achieved from the recent refinancing of the 2003 and 2006 bonds of the Commission. Increased University revenues from such areas as athletic programs will be available to pay for debt service on its bonds. In addition, the University in recent years has enjoyed over \$4 million annual budget surpluses, which would be available to pay debt service. Ms. Amyot also confirmed that a high priority for the University is increasing the size of its endowment. The capital campaign for the Hoff Academic Quad project is complete and the next focus of the University is to campaign for gifts to be added to the University endowment. Dr. Kutina also complimented Ms. Amyot on the high quality of her presentation and the University's application materials. Responding to further questions from Dr. Kutina, Ms. Amyot noted that the chilled-beam technology for cooling has been a method that has increased in popularity and is in frequent use in Europe. By using overhead cooling facilities, spaces are cooled where 25% savings can be achieved over traditional cooling methods.

In response to a question from Mrs. Davis, a University objective in the project is to situate all business programs in one building. Currently, they are situated in two different buildings. The University's business programs are one of its strengths. At the graduate level, every student has a business mentor that is an executive in his or her field, and the College of Business enjoys very high placement rates for its students. The College of Business does have growth potential, but the University is not including this in its financial projections for the proposed projects. Ms. Amyot noted that a new University focus is to make enrollment matters a priority for all parts of the University community rather than as the priority of the Admissions Office alone. For this fall, the University is at 98% of its goal for University admissions.

In response to questions from Mr. Needles and Dr. Kutina, Ms. Amyot confirmed that most of the current College of Business facilities are located in Halstones Hall. Ultimately, the University will renovate this building, but that is not part of this financing. It will provide classroom space and offices. Although the University has secured the vacation of a city street that currently runs adjacent to the project sites, it will still be open to traffic in the future. The University was required to make this concession in order to secure the street vacation from the city. In response to a question from Mr. Petrick, Ms. Amyot confirmed that by securing the University's own credit rating, it will have greater flexibility in assessing its financing options. In the future, the University may choose to proceed with a bond issue based on its own credit rating, not being required to obtain a letter of credit or bond insurance in order to market bonds.

Mr. Keefe noted that a number of the projects discussed were the subject of a preliminary agreement that was approved about a year ago. The agreement also covered the refunding of outstanding bonds. That refunding has been accomplished with the recent bond issue. The University has taken this opportunity to update the Commission on the various projects previously discussed, as well as newer elements of the overall project. Mr. Keefe then stated that the resolution for consideration approves the preliminary agreement between the Commission and the University, which is in its usual form.

Mr. Petrick moved and Mr. Needles seconded the motion that Resolution No. 2008-22 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, Davis, Kutina, Needles, Petrick, Shindler, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-22 adopted.

Resolution No. 2008-22 is as follows:

OTHER BUSINESS

Mr. Wermuth noted that the Commission's audit by the State was nearly complete, with only a couple of outstanding items that he will be following up on.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on September 17, 2008 or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Secretary