
HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

June 25, 2008

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, June 25, 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: representatives of the institutions appearing before the Commission; William Elliott of PNC Capital Markets; Michelle Salomon of Banc of America Securities; Candi Moore of The Huntington National Bank; 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 May 21, 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.

OHIO NORTHERN UNIVERSITY

The Chairman called on John Green, Vice President for Financial Affairs of Ohio Northern University, to update the Commission as to the University's proposed bond issue. Joining Mr. Green were Michelle Salomon of Banc of America Securities, Candi Moore of The Huntington National Bank and Vicki Niese of the University's business office. Mr. Green thanked the Commission members for their consideration of the University's request and advised that the University was now ready to go to market with its variable rate bond issue secured by a letter of credit from JPMorgan Chase Bank. Mr. Green then inquired of the Commission members whether they had any questions in respect of the proposed bond issue.

In response to questions from Dr. Kutina and Mr. Petrick, Mr. Green advised that the approximate \$35 million bond issue would be used to finance improvements to the Mathile Science Center and to University housing facilities, as well as to develop a University Inn. Approximately 75% of the bonds issued to finance the University Inn will be taxable for federal income tax purposes. Mr. Green also confirmed that the housing improvements will include geothermal heating and cooling facilities comprised of approximately 150 "closed-loop" wells for each housing project. Using these wells not only responds to the University community's interest in sustainable sources of energy, but will be cost effective and are expected to pay for themselves within approximately eight years. The University also is currently testing wind velocity in order to assess the feasibility of constructing wind turbines on campus. Mr. Petrick stated that he looks forward to hearing back from the University on the progress of the geothermal and wind power projects.

Mr. Burlingame 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.

Mr. Wells moved and Ms. Carter seconded the motion that Resolution No. 2008-17 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. 2008-17 adopted.

Resolution No. 2008-17 is as follows:

DEFIANCE COLLEGE

Public Hearing

The Chairman opened the public hearing required by applicable tax regulations for the proposed Defiance 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 Lois McCullough, Vice President for Finance and Management of Defiance College, to update the Commission members as to the College's financing. Ms. McCullough indicated that all aspects of the College's projects were proceeding well, with the Whitney Hall portion of the project being nearly 80% completed at this time. Work on the Dana Hall portion of the project will commence shortly. With so much already accomplished, the College is in urgent need of this funding. The plan is to close the bond issue on July 17, 2008.

In response to questions from Dr. Kutina, Ms. McCullough indicated that the bonds would be sold as a private placement to Capital One/All Points. The initial rate for the bonds may be fixed for approximately 10 years, at which point the interest rate may be reset.

Mr. Burlingame 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 College and the related bond documents.

Since Ms. 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 other members to adopt the Resolution.

The Chairman then tabled the Resolution until the Commission's July 16th meeting.

CASE WESTERN RESERVE UNIVERSITY

The Chairman called on Robert Brown, Treasurer of Case Western Reserve University, to update the Commission as to the University's proposal. Mr. Brown reminded the Commission members that the University had received preliminary approval at its December 2007 meeting for an increased borrowing amount under the University's commercial paper program of approximately \$27 million. With the University's somewhat constrained borrowing capacity, the increase of the commercial paper program is critical to meet the University's capital needs over the next two years. The University does not anticipate any other long term borrowings during that period. For this financing, Morgan Stanley will act as the commercial paper dealer and JPMorgan Chase Bank will provide liquidity support. Given the size of the issue, the University has presently determined not to add a second liquidity bank for diversification purposes. Mr. Brown noted that the bond rating services had agreed to maintain the University's current ratings after this additional debt since it would, in part replace an existing bank line of credit.

In response to questions from Mr. Petrick, Mr. Brown indicated that the University has total long term debt of just under \$600 million. Current credit limitations started in 2004 with then planned budget deficits and the University is in the middle of a multi-year recovery plan, three years of which remain. The University's budget is done on a school-by-school basis, and within a year Mr. Brown expects all but one will be in the "black." The University is in the "quiet" phase of a capital campaign in which President Snyder is playing an instrumental leadership role. The quiet phase will continue for some time and when the campaign is concluded, Mr. Brown believes \$1 billion in commitments to the University may be possible. The University Board has expressed its support and commitment to the capital campaign, authorizing the use of endowment fund revenues to pay capital campaign associated costs.

The resolution under consideration approves the expansion of the commercial paper program for the University and the related documents. Since Dr. Kutina will abstain from voting on the matter because of his relationship with the University, there are not enough other members to adopt the Resolution.

The Chairman then tabled the Resolution until the Commission's July 16th meeting.

CLEVELAND CLINIC

Public Hearing

The Chairman opened the public hearing required by applicable tax regulations in respect of the proposed Cleveland Clinic financing. Appearing to comment on the proposed financing was Attorney David Seed. Mr. Seed indicated that he represented various public school districts in Northeastern Ohio. Mr. Seed discussed charitable exemptions from real estate taxes and the basis upon which entities such as the Cleveland Clinic receive the exemption. Mr. Seed suggested that the exemption from real estate taxes for facilities financed by bonds issued under Chapter 140 of the Revised Code (such as the proposed Commission bonds for the Clinic) provides a broader exemption than would otherwise be available, and that the proposed bond issue would result in fewer facilities that would be subject to real estate taxes. This could result in less property tax revenues to school districts. Mr. Seed also expressed concern over the limited notice of the proposed financing. He also noted that joining him at the hearing was Barbara Shaner of the Ohio Association of School Business Officers. Mr. Seed indicated that he was not asking the Commission to reject the Cleveland Clinic's request for financing, but rather to, buy agreement, require that the Clinic only avail itself of real estate exemptions available to charitable organizations generally and not those that are applied to facilities financed by revenue bonds. The Chairman thanked Mr. Seed for his comments and closed the public hearing.

Financing Update

The Chairman then called on representatives of the Cleveland Clinic to update the Commission as to the status of the requested financing. Appearing on behalf of the Cleveland Clinic were Michael Harrington, Chief Accounting Officer and Controller, and Anthony Helton, Administrator - Division of Finance. Also appearing on behalf of the Cleveland Clinic was James King of the Jones Day law firm. Jones Day represents the Cleveland Clinic in connection with the proposed financing and on certain property tax matters. Mr. King opened by noting to Commission members that notice of the public hearing had been published in both the *Columbus Dispatch* and *The Cleveland Plain Dealer* two weeks prior to the hearing as required under the tax rules. He further noted that the real estate tax exemption for bond financed facilities is an alternative to other exemptions provided to charitable organizations. The exemption for bond financed hospital facilities reflects the General Assembly's goal of promoting the development of healthcare facilities in the State. Mr. King further noted that the Cleveland Clinic and its affiliates have net charity care in excess of \$100 million a year.

Mr. Helton indicated that the proposed financing size is still approximately \$1.2 billion, approximately \$620 million of which will be for the refunding of auction rate bonds and approximately \$500 million of which will be for new projects. Currently, all projects are on time and on budget. With interest rates starting to move, the Clinic is hopeful that it will be in a position to price the fixed rate portion of the bond issue in early to mid July.

Mr. Harrington next discussed the various projects to be financed and refinanced. These projects are located in Cuyahoga and neighboring counties. One of the principal purposes of these projects is to maintain and grow the health system's operations, resulting in an expected increase in employment in the communities in which the health system operates. In 2006 and

2007, the health system provided approximately \$350 million and \$390 million, respectively, of community benefits, including unreimbursed healthcare costs and research and education costs. In the current year, the health system expects to provide approximately \$400 million worth of community benefits. Internally, the health system employs approximately 36,000 people, with the only larger employer in the State being Wal-Mart. Mr. Harrington then inquired of the Commission members whether they could provide any additional information.

Mr. Needles remarked that he was grateful to Mr. Seed for coming to the hearing and appreciated his input. The Commission has been in existence for 40 years, and over that time has followed the policy established by the legislature as set forth in the various laws pursuant to which the Commission operates. The Commission's responsibility is set forth in those laws. The Commission does not set policy. He did not see the Commission deviating from that standard on this policy issue. He further understood that no other issuer of hospital facility bonds, including Cuyahoga County, had adopted the position urged by Mr. Seed. Dr. Kutina stated that he agreed with the Chairman.

In response to questions from Dr. Kutina about the health system's economic impact in Ohio, Mr. Harrington noted that the health system provided directly and indirectly approximately 70,000 jobs in Ohio, with health system jobs averaging approximately \$60,000 per year in salary. The health system provides an approximate \$3.5 billion worth of annual direct and indirect economic activity in the State. The Board resolutions approving the proposed financing for the health system are on file with the Commission. Mr. Harrington further noted that in calculating community and economic benefits, it uses established methodologies endorsed by various major health provider organizations. He acknowledged, however, that methodologies differ among health systems. Dr. Kutina suggested, in respect of the Clinic's medical school program, that they track where the graduates go given its tuition policies. In response to questions from Mr. Petrick, Mr. Harrington noted that the refunding of the Clinic's auction rate bonds will result in significant interest savings to the health system. Currently those bonds are bearing interest at rates as high as 15%. The refunding of those bonds will provide substantial savings.

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 Cleveland Clinic and affiliates and the related bond documents.

Dr. Kutina moved and Mr. Wells seconded the motion that Resolution No. 2008-18 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. 2008-18 adopted.

Resolution No. 2008-18 is as follows:

OTHER BUSINESS

There was then a discussion of the status of the various offices of the Commission. Pursuant to an appointment by the Governor, Mr. Wells will be the Chairman effective as of July 1, 2008. Mr. Keefe and the Commission members expressed their appreciation to Mr. Needles for his work as Chairman. Pursuant to separate votes, with the affirmative vote of all Commission members then present, Richard Petrick was confirmed and elected (Motion by Wells; Seconded by Kutina) as Vice Chairman of the Commission and Kenneth Kutina was elected (Motion by Wells; Seconded by Carter) Secretary of the Commission, both effective as of July 1, 2008. Consideration of a Deputy Secretary will be made at a future meeting.

Mr. Petrick advised the Commission members that the Commission will be audited this year by the State and that he and Jimmy will be working with the State in that process. Mr. Petrick will also be following up on the status of the recent capital bill, and whether the prospect of video conferencing was part of it. Mr. Burlingame noted that the Myers University bonds were to be paid-off pursuant to a call for redemption on July 2nd and that Capital University was enjoying substantially lower interest rates as a result of the recent change of remarketing agents as approved by the Commission at its last meeting.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on July 16, 2008 or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Secretary