OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

September 17, 2008

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, September 17, 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; Lynnda Davis; and James Shindler. Absent from the meeting were: Ronald E. Cosey; Thomas Needles; and Sam Speck. Also present were: representatives of the institutions appearing before the Commission; William Elliott of PNC Capital Markets; 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 July 16, 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. There was no August meeting of the Commission.

CLEVELAND CLINIC

The first item on the agenda for consideration was approval of a supplemental resolution in connection with the Cleveland Clinic financing. Mr. Keefe noted that the resolution under consideration approves a somewhat expanded scope of projects that may be financed. The Clinic has identified several categories of capital expenditures that it would like to reimburse itself for. These categories were identified by the Clinic in the course of refining its plan of finance, a common occurrence for complex transactions such as this. In fact, Mr. Keefe mentioned that this also occurred in the University Hospital Health System financing.

Appearing on behalf of the Cleveland Clinic were Michael Harrington, Chief Accounting Officer and Controller, and Anthony Helton, Administrator-Division of Finance. The Clinic has asked to come back to the Commission for approval of this supplemental resolution in order to describe additional project components that are to be financed. Mr. Harrington noted that due to the recent well-publicized market difficulties, the financing schedule for the transaction has been delayed somewhat. In this time of evaluating the financing structure, the Clinic has determined it more advantageous to issue bonds with shorter maturities that provide for the reimbursement of certain additional prior capital expenditures. The Clinic is not requesting an increase in the overall financing size. Referencing the handout provided to the Commission members at its May meeting, Mr. Harrington noted that the Clinic has now identified many of the reimbursement items that were originally "to be determined." Capital expenditures for which reimbursement is sought include expenditures relating to facilities at the Miller Family Pavilion, including expanded treatment and pharmacy areas, signage and utility improvements, as well as facilitating the relocation of the Clinic's various administrative departments. The plan of finance currently includes just over $450 million of fixed rate bonds and over $600 million of variable rate bonds. Just over half of the variable rate bonds will be secured by a bank-provided liquidity facility, with the Clinic providing its own liquidity support for the other portion. The Clinic reported a ratings upgrade from Moody's to Aa2 with a stable outlook. The Standard & Poor's rating is AA-, also with a stable outlook. Mr. Helton and Mr. Harrington then inquired of the Commission members whether they had any questions.

In response to questions from Dr. Kutina, Mr. Helton confirmed that bank lines of credit would provide liquidity support for a portion of the variable rate bonds. In the event of a tender of variable rate bonds, the bank lines of credit could be drawn upon to pay the tender price. The interest rates on the fixed rate bonds will be in the low to mid 5% range. The new entrance-way on Chester Avenue is approximately 98% complete at this time, with only landscaping work remaining. In response to a question from Ms. Davis, it was confirmed that costs associated with the former Bank of America building in Beachwood would be for the reimbursement of expenses already incurred by the Clinic. These expenses are not acquisition costs, but rather costs of upgrades and furnishings to that facility. Responding to a question from Mr. Petrick, Mr. Harrington noted that all of the Clinic's auction rate bonds have been redeemed.

Mr. Keefe stated that the documents reflecting the current transaction have been prepared and are presented in substantially final form. The supplemental resolution under consideration confirms the project scope (accounting for facilities for which reimbursement of prior capital expenditures is sought) and related matters.

Mr. Petrick moved and Ms. Carter seconded the motion that Resolution No. 2008-23 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, Davis, Kutina, Petrick, Shindler, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-23 adopted.

Resolution No. 2008-23 is as follows:

XAVIER UNIVERSITY

The next item on the agenda was the final approval of the bonds for Xavier University. The Chairman called on Maribeth Amyot, Vice President for Financial Affairs, to update the Commission members regarding the University's request. Ms. Amyot reviewed the principal components of the bond issue, noting that the bond issue includes the financing of three new buildings for the academic quad project. Those include a Learning Commons, a new building for the Williams College of Business and new central utility plant. In addition, a smaller portion of the bond issue will be applied to finance various improvements at University residence halls and at the Cintas Center. The University is pursuing public ratings from Moody's and Standard & Poor's, and is hoping to achieve ratings from each in the "A" category sometime in mid-October. The University anticipates that the bonds will be issued as fixed rate debt and it will not need to rely on increased fees or enrollment in order to meet debt service requirements. Other sources, principally including savings from the University's bond refinancing transaction that closed earlier in the year, will be sufficient for this purpose. Ms. Amyot indicated that this is part of a two-phased plan for the University and that it expects to return to the Commission sometime in 2010 to finance phase two, which could include a new Welcome Center and additional renovation to existing buildings. Mr. Keefe noted that included with each Commission member's meeting materials was updated information regarding fall enrollment for the University. Xavier University has a "census day" shortly after the academic year starts at which time enrollment figures are tallied.

In response to questions from Mr. Petrick, Ms. Amyot confirmed that the University's ability to pay debt service on the new bonds will primarily come from savings resulting from its refinance bond issue earlier this year. Lower interest rates coupled with extended maturities will make available additional funds (approximately $2.5 million) to meet nearly all the debt service requirements of the proposed bonds. Undesignated reserves and increased revenues from University athletic programs will also be available to meet debt service requirements. In response to questions from Dr. Kutina, Ms. Amyot stated that the Messer Construction firm had been engaged as construction manager for the entire project and that the University has entered into a "guaranteed maximum price" contract. Cost estimates for both phases of the project have gone up a combined $6,000,000 from initial estimates. In response to a question from Ms. Carter, Ms. Amyot confirmed that the University's enrollment target was not met this fall, with a likely explanation being overly optimistic expectations of the number of transfer students to the University. The University has a new Vice President of Enrollment who is focusing on maintaining and improving enrollment figures. The University is using a team approach with regard to enrollment matters and related revenue needs and will be using reserves and cost-cutting measures to address necessary budget adjustments.

Mr. Keefe mentioned that he and Mr. Burlingame had visited the University campus and found the facilities to be outstanding. The new academic quad project will provide the University with a new gateway to the campus and significantly expand its academic facilities. The Chairman also noted that he had recently visited the campus.

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.

Dr. Kutina moved and Mr. Petrick seconded the motion that Resolution No. 2008-24 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, Davis, Kutina, Petrick, Shindler, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-24 adopted.

Resolution No. 2008-24 is as follows:

COLUMBUS COLLEGE OF ART AND DESIGN

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Columbus College of Art and Design 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 called on Dennis Griffith, President of the College, George Skestos, Board Treasurer, and Jeffery Fisher, the Chief Financial Officer, to give the Commission members an update regarding the status of the College's financing. Mr. Fisher reminded Commission members that the College had received preliminary approval for the proposed financing at its December 2007 meeting. The project to be financed consists of a 208-bed student residence hall on the College's Columbus campus. One of the primary reasons for pursuing the project is to further transform the College's image as a commuter school to that of a residential one. It is expected that the new residence hall will be completed by the end of next summer. Mr. Fisher then asked if the Commission members had any questions.

In response to questions from Mr. Shindler and Mr. Petrick, Mr. Fisher advised that the existing College residence halls, the most recent of which was built in the early 1980s, provide housing for under-class students. The new residence hall is designed with upper-class students in mind. It is being built on land already owned by the College. In response to questions from Dr. Kutina, Mr. Fisher stated that the College's renovation of a former historic car dealership is progressing well and will provide studio space for all students. A portion of that project is already complete and is being used by the College; the remaining portion will be ready for use next year. In respect of the new proposed dorm, it is being built at an approximate $130 per square foot cost, which is in line with the original budgeting. In response to questions from Ms. Davis, Mr. Fisher confirmed that the College expects to fill the new residence hall to capacity when opened. Students will pay on an "as you go" basis and the College will place an emphasis on making the new facility affordable. If this new facility is successful, the College is considering a second phase of additional student housing. The new facility will include suites with dedicated bedrooms for individual students and shared common living areas and bathrooms.

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. Kutina moved and Mr. Wells seconded the motion that Resolution No. 2008-25 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, Davis, Kutina, Petrick, Shindler, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-25 adopted.

Resolution No. 2008-25 is as follows:

ASHLAND UNIVERSITY

The Chairman welcomed James Barnes, Vice President for Business Affairs, and James Kirtland, to speak to the Commission members regarding Ashland University's request. Mr. Barnes thanked the Commission members for their time, noting that Ashland University had come to the Commission for financings five times over the last 20 years. Of those five bond issues, three have been retired in full and two remain outstanding. Referring to a booklet previously prepared by the University and delivered to Commission members in advance of the meeting, Mr. Barnes noted that for most of its athletic programs, the University has been sharing athletic facilities with a local high school. Given that the University participates in NCAA Division II athletics, the need for developing modern athletic facilities is a high University priority. Tiffin University and the University of Findlay are examples of other Division II universities in Ohio. The centerpiece of the proposed athletic complex will include a football, soccer and track complex situated on approximately 22 acres of property adjacent to the main University campus and owned by the University. Mr. Barnes expects that new playing fields will be ready by fall 2009, with the stadium and other improvements being completed by spring 2010. The approximately 42,000-square-foot complex includes an approximately 5,000-seat stadium that will include locker facilities, as well as facilities for the University band and a fitness center. The overall cost of the new athletic complex is approximately $25 million. The University is requesting a bond issue of approximately $20 million to $21 million, noting that much of that amount is anticipated to be retired early as gifts are received. Mr. Barnes referred the Commission members to the extensive booklet provided for further detail as to project costs. After reviewing the overall health of the University, Mr. Barnes noted that a special emphasis has been placed on fall and summer enrollment, as well as springtime retention. Enrollment is down this fall, and the University has hired a new Vice President for Enrollment, as well as a consultant to assist in improving enrollment figures. Mr. Barnes noted that the University continues to operate with a balanced budget, with $121 million in revenues and expenses budgeted for the 2008-2009 fiscal year. Due to recent market declines, the University endowment has decreased over the last several months to approximately $44 million. In discussing the make-up of the student body, Mr. Barnes noted that the University hopes to increase the number of international students (particularly from China) from 150 to 300 over the next three years. Currently, the student body consists of 58% female students and 42% male students, with average ACT scores of 22.6 for incoming students.

In response to questions from the Chairman, Mr. Barnes and Mr. Kirtland pointed out the location of the University library on the campus map included in the booklet, as well as the location of the new athletic complex in relation to the University's core campus. In response to questions from Dr. Kutina, Mr. Kirtland confirmed that the financing includes land acquisition costs, as well as costs of providing parking for the new facility. Further, there are approximately 2,100 undergraduate students at the main campus, 80% of whom live in residence halls. Overall, there are 3,500 students who attend classes on the main campus. The University's off-campus programs are provided only for graduate students. With respect to the 6.4% annual disbursement rate for the University endowment, Mr. Barnes indicated that the Board policy is to spend between 4% and 9% annually to pay costs of endowed scholarships and chairs and that the percentage was arrived at based on a three-year rolling average. Mr. Barnes agreed that the percentage of female students at the University was high, but he also stated that the higher percentage was consistent with the experience of other colleges and universities in the state.

Ideally, he would like to see the percentage split of male to female students closer to a 50/50 ratio. Mr. Barnes also confirmed that international students were full-pay students. In response to a question from Ms. Carter, Mr. Barnes stated that the University was founded in 1875 in affiliation with the Brethren Church, representatives of which make up 50% of the Board of Trustees. Affiliated with the University is a seminary for that church.

Mr. Keefe stated that the resolution approves the Preliminary Agreement with the University. That agreement and related resolution are in their usual form.

Mr. Petrick moved and Dr. Kutina seconded the motion that Resolution No. 2008-26 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, Davis, Kutina, Petrick, Shindler, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2008-26 adopted.

Resolution No. 2008-26 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on October 15, 2008 or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

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Secretary