OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

November 18, 2009

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, November 18, 2009, at 11:00 a.m. on the 36th Floor of the Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: John R. Wells, Chairman; Richard Petrick, Vice Chairman; Kenneth Kutina, Secretary; Wanda Carter; Lynnda Davis; Thomas Needles; James Shindler; and Sam Speck. Absent from the meeting was: Susan Tate. Also present were: representatives of Kenyon College; and Alexander G. Burlingame and Francis Barry Keefe of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission.

The meeting was called to order by the Chairman. Upon call of the roll, the Secretary 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 October 21, 2009, were sent to each member prior to this meeting; those minutes were also included in the meeting books for each member. The Commission members present unanimously approved the minutes of that meeting.

KENYON COLLEGE

The Chairman next called upon Joseph Nelson, Vice President for Finance, to speak to the Commission members regarding Kenyon College's request. Joining Mr. Nelson was Teri Blanchard, Associate Vice President for Finance.

Mr. Nelson thanked the Commission members, noting that the College has had a long relationship with the Commission. He reminded the members that the College was the first institution to finance a project through the Commission 41 years ago.

It has been a challenging year for the College, with the endowment having lost 19.8% of its value at the end of the June 30, 2009 fiscal year. Only about 7% of the College's operating budget comes from endowment earnings. The operating budget was adjusted by approximately 1.4% as a result of endowment losses.

With regard to recruiting and enrollment, Ms. Blanchard noted that the College had its largest first-year class this year and currently has 1,137 new applications in process as compared to 817 this time last year. Of the applications received to date, 243 are for early admission as compared to 164 at this time last year. Some of the increased interest in the College is from the common application process, interest in which has increased by 23%.

The College has factored a $3 million surplus into this year's budget. Mr. Nelson confirmed that the College is taking a very conservative approach with regard to its budget and assumes there will be another dip in the economy. The College is currently focused on protecting its current assets given general economic uncertainties. All surpluses are set aside first for students with need for financial assistance. The College is also focused on protecting its employees. There have been no layoffs, though there are no current plans for wage increases this year. The College's contingency reserve within the budget is nearly four times the level it has been at in prior years.

Responding to questions from Dr. Kutina, Ms. Blanchard noted that increased interest in the College is in large part due to the many capital improvements that have been made on the campus over the last several years. Mr. Nelson continued by crediting increased interest to the performance of the College's new Director of Admissions. Mr. Nelson views the new Director as being among the best nationally and that she is especially strong at applying the latest technologies to the recruiting process. Mr. Nelson and Ms. Blanchard confirmed that students are generally applying to more colleges as compared to prior years, and that technological improvements, such as on-line applications, have contributed to that increase. Ms. Blanchard further noted that the College's discount rate takes into account College funds and restricted funds. Student employment is not part of the calculation. The College makes a point of highlighting its favorable discount rate at rating agency presentations.

Dr. Speck complimented the College for its investment in athletic facilities. Responding to a question from Dr. Speck, Mr. Nelson stated his view that the College's total debt (approximately $170 million) was at a reasonable level. As a tax-exempt organization that can borrow on a tax-exempt basis, increased borrowing is advantageous from a cost of funds perspective.

Mr. Nelson continued by describing in greater detail the purpose of the College's financing request. The purpose of the proposed refunding transaction is to address risk associated with the variable rate bonds issued on behalf of the College in 1992, 1998 and 1999. Due to the poor economy over the last 18 months, rates on variable rate bonds have fluctuated significantly. Further, several bond issues are secured by bank credit agreements. Banking difficulties have called into question the availability of bank credit facilities. There are questions whether new facilities will be available to the College when the current bank facilities expire in the next few years. In addition, the cost of those facilities has increased significantly, and banks are expecting increasingly burdensome financial covenants. The College is also seeking to refinance its 2002 medium-term bonds that have staggered interest rate resets over a period of years so as to fix interest rates on a long-term basis. The financing will also provide for capitalized interest.

Responding to questions from Dr. Speck and Mrs. Davis, Mr. Nelson confirmed the level of the College's endowment (approximately $150 million) and noted that actual size of the bond issue will likely be less than what is authorized in the resolution under consideration. The size of issue will depend on the state of the markets and the identification of the bonds that can be refinanced on an economically advantageous basis.

In response to further questions from Dr. Kutina, Mr. Nelson noted that most of the College's variable rate bonds bear interest in the 3-4% range, though the 2002 medium-term bonds are closer to 5%. Ms. Blanchard noted that the College is implementing geothermal technology for the College's heating and cooling needs. Mr. Nelson continued by stating that use of geothermal technology serves two purposes: it is consistent with the College's support of "green" initiatives; and it is more cost effective. Though start-up costs are more expensive than more traditional technologies, cost savings will be achieved when measured over a period of years.

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 and the related bond documents and authorizes the issuance of the bonds.

Mr. Petrick moved and Mr. Needles seconded the motion that Resolution No. 2009-19 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; Davis; Kutina; Needles; Petrick; Shindler; Speck; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2009-19 adopted.

Resolution No. 2009-19 is as follows:

OTHER BUSINESS

There next was a discussion of the need for a December meeting. It appears likely that Franklin University will be seeking approval for various projects. Consistent with Commission policy, Franklin would only require final approval at a single meeting as this will be a so-called "lease financing" of mostly shorter-lived facilities. It remains unclear as to whether other institutions will come to the December meeting.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on December 16, 2009, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

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Secretary