

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 21, 2009

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 21, 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; Kenneth Kutina, Secretary; Wanda Carter; Lynnda Davis; Thomas Needles; James Shindler; Sam Speck; and Susan Tate. Absent from the meeting was: Richard Petrick, Vice Chairman. Also present were: representatives of the institutions appearing before the Commission; 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, 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 September 16, 2009, 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 WESLEYAN UNIVERSITY

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Ohio Wesleyan University financing. Notice of the hearing was published in the *Columbus Dispatch* on October 7, 2009. 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 Approval

The Chairman next called upon Eric Algoe, Vice President for Finance and Administration, to update the Commission members regarding Ohio Wesleyan University's request. Mr. Algoe thanked the Commission members, noting that the University's proposed financing had progressed well since he last spoke to the Commissioners at the September meeting. The project scope remains the same as was originally presented, and the transaction participants are now in the process of finalizing the remaining details.

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. Speck moved and Mrs. Davis seconded the motion that Resolution No. 2009-15 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: Davis; Kutina; Needles; Shindler; Speck; Tate; Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2009-15 adopted.

Resolution No. 2009-15 is as follows:

XAVIER UNIVERSITY

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Xavier University financing. Notice of the hearing was published in the *Columbus Dispatch* and the *Cincinnati Enquirer* on October 7, 2009. 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 Approval

The Chairman next called on Maribeth Amyot, Vice President for Financial Administration, to speak to the Commission members regarding Xavier University's request. Ms. Amyot thanked the Commissioners, noting that the University is requesting final financing approval for projects that were originally described to Commission members at the July meeting. Although it has been a challenging time given the difficulties in the economic markets, the University continues to perform well. Enrollment is up approximately 9-1/2% as compared to the last academic year. While the number of applications received has increased significantly, the University has retained its high level of selectivity. Although all endowment losses have not been recovered as a result of the economic downturn, the endowment value has increased approximately 18% this fiscal year. Updating the Commission members regarding the planning process for the proposed residence hall and related dining facilities, Ms. Amyot noted that the University expects to save approximately \$11 million from lower than projected construction costs. With respect to the new residence hall, the need is current. The University has current demand for approximately 700 additional student beds. Many dormitory rooms designed for double occupancy now have three students living in them in order to meet demand for on-campus residency. With regard to the new dining facility, not only will it provide more modern, centrally located dining facilities for the University community, it will also free up space in the Cintas Center for additional recreational facilities. The proposed project is estimated to cost approximately \$5.8 million, but is being developed in a scalable manner so that its scope can be increased or decreased depending on whether project and financing costs fluctuate over time. The University expects that the bonds will be issued at fixed interest rates with maturities ranging over a 30-year period. The closing is scheduled for January 2010.

Ms. Amyot then proceeded to review select portions of the handout that was distributed to Commission members. That handout is attached to these minutes as Appendix A. The information Ms. Amyot reviewed included depictions of the proposed residence hall, as well as student enrollment data and information with regard to the University endowment. As of September 30, 2009, the University endowment was valued at just under \$100 million. Ms. Amyot referred to the portion of the handout that provided an update with regard to the Hoff Academic Quad Project that had been the subject of prior Commission financings. Ms. Amyot referred to October 2009 photographs depicting project status, noting that the University has been able to achieve significant project savings since its commencement.

Ms. Amyot stated that her first year at the University has been an exciting one. There has been leadership transition at the Board level, with a new chairman having recently been put in place. The University enjoys a 12:1 student to faculty ratio and it has been recognized for its high quality in *U.S. News and World Report* and *Princeton Review*. *Kiplinger's* has ranked the University 42nd for its value. The University has also received a Templeton Award for character development and has been ranked best in the Midwest with regard to student retention. *Forbes Magazine* also ranked the University No. 1 with respect to non-football-related athletic programs. Ms. Amyot then inquired of the Commission members as to whether they had any questions.

In response to a question from Dr. Speck, Ms. Amyot confirmed that the University has been very conservative in its planning assumptions for the new residence hall. As noted, the University enjoys a current need for an additional 700 beds. The new residence hall, however, contemplates only an additional 500 beds. A large part of the University's enrollment success is a result of better marketing. It has done a better job of highlighting its most sought-after programs: business school programs, which are ranked in the top 20 in the country, and pre-med and pre-dental programs, which are also particularly popular programs in the current environment given that they are career oriented. With regard to University facilities generally, the institution is on solid ground. The University sees no present need for the construction of additional buildings that do not pay for themselves. The University has sufficient facilities now to accommodate all of its academic programs, as well as space to accommodate growth in the coming years. Responding to questions from Dr. Kutina, Ms. Amyot confirmed that the residence hall was budget neutral. That is, those current residence facilities with triple occupancy are treated as an extra item in the current budget. Ms. Amyot also reviewed from the handout the campus location for the proposed project. Ms. Amyot confirmed for Mr. Needles the University's current rates for both tuition and room and board.

Mr. Burlingame stated 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. Shindler moved and Dr. Kutina seconded the motion that Resolution No. 2009-16 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; Shindler; Speck; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2009-16 adopted.

Resolution No. 2009-16 is as follows:

UNIVERSITY HOSPITALS HEALTH SYSTEM

The Chairman next called upon Bradley Bond, Vice President–Treasury, to speak to the Commission members regarding University Hospitals Health System’s request. Mr. Bond expressed the Health System’s gratitude for the Commission’s support over the last two years, stating that he wanted to update the Commission members with regard to the status of the Health System’s Vision 2010 projects, as well as with respect to its current financing plans. Mr. Bond noted that the new neonatal intensive care unit was completed this year providing state-of-the-art NICU facilities for University doctors, nurses and patients. Among the improvements are facilities that allow nurses to monitor four rooms electronically at the same time. An important design element of the new NICU was to reduce the level of sound in all facilities. Studies have shown that premature babies perform better in quiet or silent surroundings. Construction on the new Cancer Hospital at the main campus is also progressing well, with expected completion in the spring of 2011. Although the exterior is nearly complete, there remains a significant amount of work that will need to be completed on the interior portions within the building given its highly specialized design specifications. Costs of this portion of the Vision 2010 project have increased somewhat as a result of change orders; however, the Health System will not be borrowing for that increased amount. Rather, it will be paying for that increased cost out of savings achieved from other portions of its budget. The new Ahuja Medical Center will also have a \$25 million medical office building associated with it to provide office space for the Health System’s doctors and related medical practitioners.

As noted in previous presentations, Mr. Bond confirmed that the emergency department project has been delayed by approximately one year. This is for budget purposes as well as to assure project safety. The close proximity of the ongoing work at the main campus allows for the use of only one construction crane at a time. Costs of the proposed Euclid Avenue parking garage are also higher than originally expected, but the Health System wants to make sure the garage exterior is aesthetically pleasing given its prominent Euclid Avenue location. Mr. Bond also noted the electric-generating solar panels will be installed on many of the facilities.

In response to questions from Mr. Wells, Mr. Bond reviewed locations of the various project components on the main campus. Mr. Bond noted that part of the project design originally contemplated underground tunnels, but it is now expected that they will be excluded from the final project scope. Responding to questions from Mr. Shindler and Dr. Speck, Mr. Bond noted that most medical office space will be used for University doctors and academic faculty; however, some space will be leased to private doctors and others. Mr. Bond stressed that Bond Counsel reviews the use of these facilities carefully. Any private-use portions would not be financed with bonds, but would be paid by the Health System. In respect of possible interest rates on the proposed bonds, Mr. Burlingame noted that the maximum interest rate in the bond resolution (12%) addresses market requirements in respect of a permitted maximum interest rate on variable rate debt. Responding to questions from Mr. Needles, Mr. Bond confirmed that the Beachwood, Ohio Medical Center was named for Monte Ahuja, a large donor of the Health System. The Health System consults with Bond Counsel in respect of any naming rights agreements that have federal tax law implications. While the Cancer Hospital construction is progressing well, there have been some delays. The causes include delays in the development of utility facilities as a result of the closure of Cornell Road adjacent to the structure. Mr. Bond further noted that the Health System’s facility in Concord, Ohio was placed in a strategic

location based on the Health System's assessment of current demand for hospital services in that area. That is consistent with the Health System's philosophy generally with respect to construction of new facilities. The Health System's Twinsburg facility has been completed and is in operation. It has already exceeded original budget expectations by three times. Responding to a further question from Mr. Wells, Mr. Bond noted that in addition to the Ahuja Medical Center in Beachwood, the Health System also operates a facility on the other side of Interstate 271. This is its Chagrin Highlands facility in Orange, Ohio. Approximately half of the Chagrin Highlands facility is the subject of tax-exempt financing and the Health System monitors use of the facility closely to assure compliance with tax regulations.

Responding to questions from Dr. Kutina regarding the Cancer Hospital, Mr. Bond confirmed that a patient would be able to receive all of his or her cancer-related treatments and consultations in the new hospital. In addition to treatment facilities, oncologists will have their offices situated in the building. Mr. Bond noted that although he could not provide specific detail with regard to the construction materials used for the new parking garage, he was aware that much of it included the use of composite materials. There is excitement regarding the development of the new emergency medicine center. The existing facility is difficult to locate with limited parking.

With regard to the Health System's current financing plans, Mr. Bond noted that the proposed bond issue likely will not include additional funds for the Vision 2010 projects; rather, the bond issue provides primarily for the refinancing of bonds issued in 2008, which themselves were issued to refinance auction rate securities. Responding to a question from Dr. Speck, Mr. Bond commented on the possible impact of health care reform on the Health System. He noted that approximately 15% of Health System revenues come from private payment rather than insurance or government sources. These often end up being charity and not collected. While that number would likely decrease as a result of any proposed health care reform, a likely trade-off would be reduced payment rates by the government. The Health System will be strategic in the timing of its next bond issue, entering the bond market at the most opportune time.

Mr. Burlingame stated 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. Needles moved and Ms. Carter seconded the motion that Resolution No. 2009-17 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; Davis; Kutina; Needles; Shindler; Speck; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2009-17 adopted.

Resolution No. 2009-17 is as follows:

PNC CAPITAL MARKETS

The Chairman next called on Mr. Burlingame to describe the next resolution contained in the meeting books. Mr. Burlingame noted that in connection with several variable rate bond issues, the Commission had entered into remarketing agreements with NatCity Investments and various universities. NatCity Investments is now in the process of assigning its rights under these agreements to PNC Capital Markets and has requested that the Commission sign document amendments to reflect this. The proposed resolution approves those amendments and related matters.

Mr. Wells moved and Dr. Kutina seconded the motion that Resolution No. 2009-18 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; Davis; Kutina; Needles; Shindler; Speck; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2009-18 adopted.

Resolution No. 2009-18 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

As noted, it is now expected that the Commission will next meet on November 18, 2009, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

Secretary