

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 17, 2012

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 17, 2012, 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: Thomas Needles, Chair; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; James Shindler; Susan Tate; John Wells; and James Wilson. Absent from the meeting was: Lynnda Davis. Also present were: a representative of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Sanders (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Chair. 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 Chair noted that the minutes of the Commission meeting of September 19, 2012, were sent to each member prior to this meeting; those minutes are also included in the meeting books for each member. Upon a motion by Mr. Wells that was seconded by Mr. Shindler, all Commission members present approved the minutes of that meeting.

UNIVERSITY HOSPITALS HEALTH SYSTEM

The Chair next called upon Bradley Bond, Vice President, Treasury, to speak to the Commission members regarding University Hospitals Health System's financing request. Mr. Bond thanked the Commission members for gathering to consider the Health System's financing request. Mr. Bond expects that this will be the Health System's final financing for 2012. The proposed Series 2012D Bonds are a continuation of the refinancing plan described by Mr. Bond at the Commission's August meeting when the Commission approved certain Series 2012C Bonds for the Health System. The proposed bonds will be issued as a direct placement for the purpose of refinancing certain 2009 Bonds issued by the Commission and will amortize over a seven-year period. The bonds will bear interest pursuant to a formula that will remain in place throughout the term of the bonds. Often in refinance transactions, an escrow fund is established to provide for the refunding of prior bonds. However, in this financing, the Commission and the Health System will be utilizing a draw-down bond structure. This provides the dual benefits of locking in current interest rates while at the same time not incurring debt until the time needed to pay-off the prior bonds. The Health System would like to have attended the September meeting, but the bank purchaser had not been selected at that time. Mr. Bond noted that, relatively speaking, 2009 was a time of higher interest rates and the Health System expects to achieve significant savings through this refinance transaction. The Commission resolution also approves provisions in the financing leases for the Series 2012C Bond and the Series 2012D Bonds that facilitate the Health System's participation in the federal government's 340(B) discounted drug pricing program. This allows the Health System to obtain significant discounted drug pricing in connection with the benefits it provides to Medicaid and other low-income patients. The total benefit to the Health System by participating in the plan is approximately \$27 million per year. The specific document provisions include provisions related to the Health System's provision of services on a nondiscriminatory basis in respect of low-income individuals and in respect of the emergency room operations. Mr. Bond then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate and Mr. Wilson, Mr. Burlingame confirmed that there is specific language in the authorizing resolution relating to the 340(B) discounted drug pricing program. Failure to comply with lease covenants relating to the program will result in an event of default under the financing lease. In response to questions from Dr. Kutina, Mr. Bond confirmed that the bonds would bear interest at a variable rate pursuant to a formula set forth in the Trust Agreement. In respect of the Vision 2010 Projects, Mr. Bond commented that they are doing very well, especially the Ahuja Medical Center and the Seidman Cancer Center. There has been some delay in the implementation of the electronic medical records system, which has resulted in some expense to the Health System. In response to questions from Mr. Cannon and Dr. Kutina, Mr. Bond provided further explanation in respect of the draw-down bond structure. Mr. Bond noted that in the structure, the bank does not advance all the funds right away, thereby minimizing the initial debt burden to the Health System. Rather, the bank only advances money as and when necessary to retire at a future date the bonds that are being refinanced. The Health System also benefits in that, while the debt is not advanced right away, it is able to lock-in current favorable interest rates. The Health System solicited proposals from several banks for a draw-down refinance structure, and ultimately selected Banc of America Public Capital Corp. Mr. Bond noted that approximately 90% of the Health System's debt bears interest at fixed rates, and this bond will be part of the Health System's variable rate

debt. In respect of further questions from Dr. Kutina, Mr. Bond noted that it is still difficult to predict the impact of the Affordable Health Care Act on the Health System. The Health System has a strong Medicaid and Medicare patient population and payments from the federal government may be adversely impacted. Mr. Bond further noted that the Health System's new emergency room, which is part of the Vision 2010 Projects, has been highly utilized by the community on a consistent basis. In response to questions from Mr. Needles, Mr. Bond indicated that he was not sure of the threshold for uncompensated care, but thought it might be in the 25% to 35% range for Medicare.

In respect of the final approval for the Series 2012D Bonds refinance transaction, 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 related bond documents and authorizes the issuance of the bonds.

Mr. Wells moved and Mr. Wilson seconded the motion that Resolution No. 2012-23 be adopted.

There being no further discussion, the Chair called for the roll and, pursuant to the roll call, the following votes were cast:

Aye: Cannon; Carter; Kutina; Needles; Shindler; Tate; Wells; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2012-23 adopted.

Resolution No. 2012-23 is as follows:


OTHER BUSINESS

A. *NAHEFFA*. Mr. Burlingame reported that he recently attended NAHEFFA's national meeting in Minneapolis, Minnesota. One of the topics emphasized at the meeting was tax compliance and a Squire Sanders colleague of Mr. Burlingame's spoke on that topic at the conference. Mr. Burlingame noted that he had been invited to assist NAHEFFA's membership committee in its future efforts and will be doing so.

B. *Franklin University*. Mr. Burlingame noted that the Commission had been named in an eminent domain proceeding brought by the Ohio Department of Transportation in respect of certain property owned by Franklin University. While that property is included in Commission leases with Franklin University, the University has indicated that the property and the improvements on it have not been financed with any bonds issued by the Commission. Pursuant to a motion brought by Mr. Shindler that was seconded by Mr. Wells, the officers of the Commission and Squire Sanders (US) LLP as counsel to the Commission were authorized by a unanimous vote of the Commission members present to take such actions and sign such documents and agreements, as may be necessary to remove the Commission from the proceedings. This resolution shall be recorded as Resolution 2012-24 in the records of the Commission.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on November 14, 2012 at the University of Dayton, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary