HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

December 13, 2006

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, December 13, 2006, 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; Wanda Carter and Ronald E. Cosey. Henry Kasson and Tahlman Krumm were absent. Also present were representatives of the educational and health institutions making presentations to the Commission; Francis Barry Keefe and Alex Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission; and Katie Hensel 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 November 15, 2006, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. Upon review, the Commission members present unanimously approved the minutes of that meeting as submitted.

UNIVERSITY HOSPITALS HEALTH SYSTEM, INC.

The Chairman called on Bradley Bond, Vice President of Treasury of the Health System, to discuss the financing. Mr. Bond introduced Eugene Killeen, outside corporate counsel to the Health System. Mr. Bond provided several pictures showing the proposed location of portions of the Project, specifically the emergency department and the new cancer hospital. A picture presenting a proposed concept for the new hospital for the southeastern suburbs of Cleveland was also provided. [These pictures are attached hereto as Exhibit A.] Mr. Bond explained that this new hospital would have a "pin-wheel" design. Each leg will have a bed capacity of 200 patients, each in a single room. The first leg will be phase 1 and funded with the bond proceeds. Two more legs can be added later to bring total capacity to 600 beds.

In response to questions from Mr. Petrick and Dr. Kutina, Mr. Bond noted that Hanna Pavilion on the hospital campus would be taken down to provide space for the new cancer hospital. Those patients would be relocated to the Walker Center. In addition, many of the administrative staff will be relocating to the new Administrative Center to be funded with the funds. Mr. Bond explained that the former nursing student dormitory buildings would be demolished to make room for the emergency department and the 900 car parking garage. These buildings now house the HR staff and communications department. Some of those employees will go to the new Administrative Center and some to the Walker Center. The new parking deck may be constructed with offices on the outside to enhance its aesthetics. This Project has the potential of creating 1,000 jobs in the area. The Health System has set a goal of using 80% local labor for its projects.

In response to questions from Mr. Cosey and Dr. Kutina, Mr. Bond stated that the garage is being sized for 900 cars but with parking at a premium, this may not be enough. There are 9,000 employees (out of the Health Systems' 16,000) on the campus. The garage likely will not be underground because of the additional cost to build it that way.

Mr. Petrick asked about the Board of Trustees. Mr. Bond said the Board had 40 members and the Finance Committee had ten members. The bond issue will likely be about $430 million, $319 million for the new projects and the rest to refinance outstanding debt issues.

Mr. Keefe noted that bonds are expected to be issued early next year. The bond documents have been prepared and presented to the Commission. The resolution approves the documents and authorizes the bond issue.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2006-31 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, Cosey, Kutina, Petrick, Wells

Nay: None

Abstain: Needles

The Chairman declared the motion passed and Resolution No. 2006-31 adopted.

Resolution No. 2006-31 is as follows:

MARIETTA COLLEGE

Dan Bryant, the Chief Financial Officer of the College, first introduced Peggy DeBartolo, the College's Controller, and then provided some background information on the College. The College's financial position is good. It continues to operate with a balanced budget and has established small operating reserves. Over the last several years, it has made big strides in catching up on its deferred maintenance. Enrollment has recovered after a dip in 2002. The College recognizes its need to improve retention.

The project to be financed is a new Library and Center for Teaching Excellence. The prior capital campaign (1997-2003) originally planned for a new library, but then did not include it. Recently, two alumni each pledged $5 million towards funding the new library.

Mr. Bryant presented a series of slides showing the proposed location of the library, which will replace the existing library building. The new library will contribute to a plan by the College to attract students to the campus center and to generally improve the flow of student traffic within the campus. Mr. Bryant described each floor of the new library: the basement level will contain the College's special collections and mechanical facilities for the building; each level will have student study areas and book stacks; the first level will also house the cyber cafe; the Center for Teaching Excellence will occupy a portion of the second floor; and the rotunda is on the top floor.

The library is projected to cost $17 million. In addition, the College plans to raise another $3 million as endowment to pay operating costs. That $20 million is part of a $50 million capital campaign starting this year. The College has already raised approximately $16.2 million in cash and pledges. Mr. Bryant stated that the estimated amount of the bonds would be about $11 million in order to match the cash raised and to fund the Project.

In response to several questions from Dr. Kutina, Mr. Bryant stated that one of the sources for repaying the bonds would be a planned increase in enrollment. The target is to move from 1,300 to 1,500 students. While some of the growth will come from additional undergraduates, more is planned to come from expanding the graduate programs. Examples of successful and growing programs are the Master of Corporate Media, Master of Psychology (a clinical program), Master of Education and the Physician Assistant certification program. This latter program is popular, expensive and does not require financial aid to attract students. Mr. Bryant also explained that the Center for Teaching Excellence is funded from the operating budget. Only three or four teachers are involved each semester. Their classes are usually covered by other instructors.

In response to a question from Mr. Cosey, Mr. Bryant stated that the College was trying to improve its retention of students from one year to the next. There are many reasons for students leaving. These include students who are not ready for college level courses, do not like the environment, are disappointed in athletics, for example, or are not challenged enough. Each is an individual case. Responding to questions from Mr. Needles, Mr. Bryant commented that graduates from outside the six-county surrounding area generally do not stay in the Marietta area. Those who are from the area, especially, for example, those in the Master of Education program, do stay. The bonds will likely be paid off by 2015; they will be structured to match the pledge payments. The College's endowment is approximately $55 million. The College does not have any religious affiliation.

Mr. Keefe noted that the proposed resolution approves the Preliminary Agreement for financing of the Project.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2006-32 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: Cosey, Kutina, Needles, Petrick, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2006-32 adopted.

Resolution No. 2006-32 is as follows:

OTHER BUSINESS

Bond Counsel Retention.

The Commission members briefly discussed the retention of Squire, Sanders & Dempsey L.L.P. as bond counsel to the Commission. The prior retention period had run its course. Mr. Wells asked that the retention resolution cover the five-year period from 2007 through 2011, which was accepted.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2006-33 be adopted.

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

Aye: Carter, Cosey, Kutina, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-33 adopted.

Resolution No. 2006-33 is as follows:

Commission Fees.

The Commission members briefly discussed revising the fees that are paid to the Commission by the colleges and universities and now hospitals for issuance of bonds to finance projects. The discussion lead to the consensus that: (i) there should be a minimum issuance fee of $1,500 as part of the proposed policy; (ii) the same issuance fee should apply to both educational and hospital financing; (iii) additional information on the amount of revenues generated by the current fees and the expenses of the Commission should be developed for the next meeting (which Mr. Petrick agreed could be done); and (iv) Mr. Keefe and Ms. Hensel should develop a formula for a new issuance fee schedule and circulate that for consideration at the next meeting (which they agreed to do). The Commission also determined that its fee for the University Hospitals projects previously approved will be $25,000 for the entire financing.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on January 17, 2007, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Secretary