HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

June 21, 2006

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, June 21, 2006, at 11:00 a.m. at the Philomathesian Lecture Hall, Second Floor of Ascension Hall, on the campus of Kenyon College, Gambier, 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, Ronald E. Cosey, Henry Kasson and Tahlman Krumm. Also present were representatives of the educational 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 May 17, 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.

The Chairman requested that Mr. Keefe conduct the public hearing required under the federal income tax rules for the financing of the project for Kenyon College. Mr. Keefe opened the hearing and asked for public comment. There were no comments, and the Commission had not received any written comments. Mr. Keefe closed the public hearing.

MOUNT UNION COLLEGE

Patrick Heddleston, Vice President for Business Affairs and Treasurer for the College, stated that the various student residential facility projects were moving along. The new residence facilities were in the final design stage. In response to a question from Mr. Petrick, Mr. Heddleston indicated that the new and renovated facilities would provide housing to meet current student requirements. Responding to a question from Dr. Kutina, the Vice President said that the project was staying on budget. The College has received not-to-exceed bids from contractors. Ms. Carter asked about completion dates. The new apartment-style residence facilities should be completed (170 beds) by August 2007 and (40 beds) June 2008.

At the request of the Chairman, Mr. Keefe explained that the resolution to be considered authorizes the bond issue and approves the bond documents, which have been prepared and presented to the Commission.

Ms. Carter moved and Mr. Wells seconded the motion that Resolution No. 2006-16 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, Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-16 adopted.

Resolution No. 2006-16 is as follows:

UNIVERSITY OF DAYTON

Thomas Burkhardt, Vice President for Finance and Administrative Services, introduced Delanie Moler, the University's Investment Officer, and Thomas Weckesser, Assistant Vice President for Finance. Mr. Burkhardt updated the Commission on the University and the project since it received preliminary approval in September 2005.

Dr. Daniel Curran, President of the University, has been awarded a five-year extension to his contract. Enrollment for the Fall of 2006 is on target in accordance with the University's plan for about 1,750 students. Actually there are about 1,800 students enrolled, but that number may fall off a little during the summer. The University has been awarded a substantial research grant to work with other universities. The University is also conducting searches for a new Vice President for Students and a new Vice President for Academic Affairs. Mr. Burkhardt stated that the projects to be funded with the bond issue are proceeding. The proposed dollar amount will stay approximately the same, but the allocation may shift slightly among the various projects. For example, not as much of the funding will be used for the research center but that will be reallocated to the residence facility renovations. The University will refund the portion of the 1997 Bonds that was issued for new projects at that time. It is also considering refunding a portion of the 2000 Bond issue. The savings from the refundings are projected to be about 5% of the principal amount. As part of the overall issue, the University will also convert a portion of the 2003 Bond issue that is currently in the auction rate (variable interest rate) mode to fixed rates. Mr. Keefe explained that in order to accomplish that conversion, the bond documents for the 2003 bond issue will need to be amended. In addition to the resolution approving the bonds, there will be a second resolution that authorizes the amendment of the 2003 bond documents to permit the conversion of a portion of the 2003 Bonds in accordance with the terms requested by the University.

In response to a question from Dr. Krumm, Mr. Burkhardt stated that the University has outstanding debt in the amount of approximately $270,000,000. The University retires about $20 million each year. Responding to a question by Mr. Petrick, Mr. Burkhardt explained that the projects for this bond issue focus primarily on the renovation of student housing. Approximately $13 million will be used to renovate the Marycrest residence facility, which is the largest such facility on campus. As previously noted, the research center project will be funded at $3.5 million rather than $5 million, and the smaller projects will pick up that $1.5 million. In response to a question from Mr. Cosey, Mr. Burkhardt noted that the University would be acquiring houses in the student residence neighborhood. The acquisition is typically from other landlords and not families. The University acquires these properties and either renovates the house for student residence or demolishes it and builds another house on that property. With regard to student housing, Mr. Burkhardt explained that first year students are housed in more traditional dormitory space, second year students are housed in the residence facilities that include suite-style accommodations, third year students are housed in more apartment-style facilities, and fourth year students more typically live in the houses in the student neighborhood. Students pay different rates for each of the kinds of housing. The student houses have the highest fee and highest demand.

In response to a question to Dr. Krumm, Mr. Burkhardt noted that the houses that the University acquires do come off the tax duplicate since they become University property but there is not a particularly significant impact on the overall tax duplicate. The University does not have an agreement with the city schools to cover this situation. The city schools do have an educational facility on the University campus, which the University provides. The University has contributed $7 million to rebuild a neighborhood close to the campus and has funded a traffic signalization project near the campus. Responding to questions from Dr. Kutina, Mr. Burkhardt noted that the research funding has remained fairly consistent over the last few years. Research revenues amount to approximately $70 million out of a $320 million University budget. Both graduate and undergraduate students work on research projects. The largest portion of research funding comes from the U.S. government, about 85%. This has also remained consistent over the last few years but the federal agencies have changed somewhat. The Department of Defense provides most of the federal funds.

Mr. Keefe stated that the first resolution to be considered authorizes the bond issue and approves the bond documents, which have been prepared and presented to the Commission.

Dr. Krumm moved and Mr. Kasson seconded the motion that Resolution No. 2006-17 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: Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2006-17 adopted.

Resolution No. 2006-17 is as follows:

Mr. Keefe then noted that the second resolution approves the amendment to the bond documents (the Trust Agreement and the Lease) for the 2003 Bond issue for the University in order to provide for the conversion of a portion of those bonds in accordance with the terms requested by the University and approved by the Trustee.

Mr. Petrick moved and Dr. Kutina seconded the motion that Resolution No. 2006-18 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: Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2006-18 adopted.

Resolution No. 2006-18 is as follows:

CASE WESTERN RESERVE UNIVERSITY

Arthur Roos, Treasurer of the University, discussed the University and its proposed project. He assured the Commission that the University is stable and solid; there is no financial crisis. As everyone is aware, there has been a leadership change. President Hundert has resigned and an interim President has been appointed by the Board of Trustees. The interim President was a Trustee of the University and served as president of one of the State of New York universities for 13 years. The search for the new President is underway and is expected to take about one year. Moody's Investors Service, which rates the University's bond issues, reaffirmed its rating of "A-1" following a recent meeting with the University. Standard and Poor's, another rating service, also reaffirmed its rating of the University at "AA-", which is one step higher than the Moody's rating.

Mr. Roos was very pleased that the rating services recognized the University's strength, especially in light of the temporary financial stress at the University. The University has undertaken significant development in programming, especially at the undergraduate level, as well as major new capital facilities. This Plan represents an investment of $180 million. The University anticipated an operating deficit for about five years to be offset with increased contributions and other revenues. Unfortunately, some of the anticipated revenue sources did not follow the Plan; contributions did not meet expectations. The University has slowed spending on the program. There was a larger than expected deficit for fiscal year 2006, and a modest deficit is expected for 2007. But the University expects to have a balanced budget by 2008.

Undergraduate applications have grown from 4,000 to 8,000. Enrollment has also grown over the last four years. Last year's enrollment of 1,180 new students exceeded the target of 1,050, which will be easily met for this coming year. The quality of the students has also increased as well. The revenues from research have held up pretty well. They constitute about one-half of the University's total revenues. The University expects those revenues to remain at about the same level or slightly better.

Mr. Roos provided an outline describing the proposed project for which the University is seeking financing: the New Student Information System (attached as Exhibit A hereto). This new information system is part of the University's efforts to upgrade its computer systems moving toward a web-based total system. The prior upgraded systems are financial and human resources. The current student information system was put in place in the 1980's, and is now hard to maintain and improve. The new system should be in place for well over 10 years. The various modules to the system include student records, registration and student financials. The system will provide information on class schedules, enrollment, student status, prerequisites to courses, class scheduling, transcripts, tuition billing, financial aid etc.

A large team of University personnel from its technology staff, the administration and each department will be involved with the consultants to implement the new system. The first module will be available by Fall 2008 and everything should be complete by the end of 2008. The total cost will be a little less than $15 million, most of which will be spent within the next two years.

Mr. Roos explained that the financing structure will be a capital lease. This approach is described in the Outline at Exhibit A. The University is working with Public

Finance Management, a national financial advisory firm with offices in Cleveland. Mr. Roos introduced Ted Ricci, a vice president with PFM who is working with the University on the financing. The Lease transaction will be privately negotiated with a single bank or other leasing company following a bidding procedure conducted by PFM for the University. This can provide an inexpensive method of tax-exempt financing.

In response to questions from Mr. Petrick, Mr. Roos stated that the University would institute a new student technology fee of about $200. Shutting down the old system would also save about $600,000 per year. The operating cost of the new system would be about $1.0 million per year. Responding to questions from Ms. Carter, Mr. Roos discussed the security provisions for the new information system. The University established security procedures in connection with the new financial system and human reference system. But as these systems and the new information system become more web-based the security is an even bigger concern. Security has been a major factor in designing the system. There will be "fire-walls" to prevent intrusions and constant monitoring. Even with the best built-in safeguards, it still requires daily diligence. Access will be limited to students and to some extent family, as well as those at the University with a need for such access. The security of the system and its student information is a very high priority for the University.

In response to questions from Mr. Kasson, Mr. Roos stated that the University did not expect to reduce the administration expense with the new system. The system will provide more and better information and greater access but it will require additional technical support. The information system does not contain a job placement component as part of the system. Responding to questions from Dr. Krumm and Mr. Cosey, Mr. Roos explained that the student fee would not cover all the cost of the system. There has not been a general announcement of the fee but students have been involved in helping to design the system and are looking forward to its implementation. There is an existing, lower fee that this will replace. The new fee will be used only for this system. The University does not expect any problem with instituting this fee. The capital lease will not extend beyond the useful life of the system. The University will use the PeopleSoft-Campus Solutions basic package as a starting point and then make substantial changes to match Case's operations. The implementation of the new system will occur in several phases. There will also be a major test period of several months. The vendor was selected on the basis of the best technology, and the price was very good. As Mr. Ricci explained, financing through a leasing company rather than the vendor will produce a better interest rate and lower overall cost. Because the system will ultimately be designed for the University's situation it would not be able to be sold to another school. There will need to be upgrades to the system over the next ten years as with all such systems. This financing does not cover those upgrades. The University will likely work with the vendor to get those upgrades in place and to finance them through operating revenues.

In response to questions from Mr. Needles, Mr. Roos stated that PeopleSoft (which had been acquired by Oracle), was one of only three possible providers of this kind of system. PeopleSoft was very strong in education and, as noted, was offering this system at a very good price. The University will have a sizable team to work on the system's implementation including those who will manage the system and others from the various offices (registrar, financial aid, admissions) and departments of the University. They will work with the people from PeopleSoft.

At the request of the Chairman, Mr. Keefe explained that the capital lease financing would be similar to those previously done for The College of Mount St. Joseph and for the University of Dayton. In this case, the University and PFM has worked with us to develop the Lease and related documents. The University will accept bids from banks and leasing companies for the financing. Mr. Keefe stated that the resolution to be considered authorizes the financing and approves the Lease and related documents, which have been prepared and presented to the Commission.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2006-19 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, Cosey, Kasson, Krumm, Needles, Petrick, Wells

Nay: None

Abstain: Kutina

The Chairman declared the motion passed and Resolution No. 2006-19 adopted.

Resolution No. 2006-19 is as follows:

KENYON COLLEGE

The Chairman, on behalf of all the Commission members, expressed his thanks for the College's hosting of the Commission meeting. This is the first such meeting held on a college campus. The Commission appreciates the warm reception provided by the College. He specifically thanked Joseph Nelson, Vice President for Finance, and Teri Blanchard, Associate Vice President for Finance for their invitation to the campus and their efforts in making the arrangements for the meeting.

Mr. Nelson stated the College was very pleased to welcome the Commission to its campus. Since Kenyon College was the first institution to receive financing through the Commission, it is happy to be the first institution to host a Commission meeting. Mr. Needles noted that based on this experience, the Commission looks forward to holding some of its meetings on other campuses around the State.

Mr. Nelson updated the Commission on the College's project to renovate the dining hall and facilities. Work on the Project has commenced, and it is expected to be completed and put into service by January 2008. He also noted that the bond issue would probably be somewhat smaller than originally anticipated. Some of the reimbursements for the Athletic Center will not be funded. The College will, however, refund a portion of the bonds issued by the Commission for the College in 2002 (approximately $5 million). The total amount of the issue will likely be less than $50 million. The College is discussing with the Underwriter and the bond rating services the structure of the bond issue, specifically the use of serial bonds or a single bullet maturity.

Mr. Nelson also noted that this is the sixth record year of increased applications for admission to the College. The acceptance rate is now below 30%. It is also the 36th year of a balanced budget. The endowment's earning rate is approximately 12%, which places it among the top performers in the country.

In response to a question from Mr. Kasson, Mr. Keefe explained that some of the expenditures for the Athletic Center were not within the time period to qualify for reimbursement under federal tax rules and thus could not be included in the bond issue. Mr. Keefe also explained, in response to a query from Dr. Kutina that a "bullet" maturity meant that all of the principal amount of the bond issue comes due in the last year of that issue. There is no provision for payment of principal throughout the term of the bond issue, but, of course, interest is paid during that time. Mr. Nelson commented that the rating services were generally accepting of this structure. It works particularly well now because the long-term interest rates are still quite low, in fact as low as the interest rates for shorter maturities. The College is rated "A-2" by Moody's and "A" by Standard & Poor's.

Mr. Keefe noted that the resolution for consideration authorizes the bond issue and approves the bond documents, which have been prepared and presented to the Commission.

Mr. Wells moved and Ms. Carter seconded the motion that Resolution No. 2006-20 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, Kasson, Krumm, Kutina, Needles, Petrick, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-20 adopted.

Resolution No. 2006-20 is as follows:

OTHER BUSINESS

In connection with Myers University's use of its building in downtown Cleveland, Mr. Keefe noted that the University's finance officer reported on the continuing effort by the University to resolve the matter by maintaining a presence in that facility and assisting the charter school to finance its acquisition. It was determined to continue to review the situation while the University worked towards retiring the debt issued to finance the renovation of the building.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on July 19, 2006, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

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Secretary