HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

June 20, 2007

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, June 20, 2007, 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; Ronald E. Cosey; Tahlman Krumm; and Sam Speck. Henry Kasson was absent. Also present were representatives of the educational institutions making presentations to the Commission; representatives of RBC Capital Markets and of Sweney Cartwright; Francis Barry Keefe and Alex 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, 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 16, 2007, 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.

TIFFIN UNIVERSITY

The Chairman called on James White, Vice President of Business and Finance, to discuss Tiffin University's proposed financing. Mr. White gave greetings from the University, noting that both the University and the City of Tiffin were named after Ohio's first governor, Edward Tiffin. In describing the University, Mr. White noted that the University has grown substantially since the early 1980s, growing from a total enrollment of approximately 500 students to almost 2,000 in the last academic year. Over 500 students now live on the University campus. The University has expanded the number of programs it offers, including criminal justice, forensic psychology, and a masters of humanities, among others. Mr. White next described the proposed new University Recreation Center. Mr. White stressed that the facility will create a new home for various University athletic programs and other recreational facilities, including an indoor track. The facility is to be built on a ten-acre tract of land west of the University campus that was acquired by the University in 2006. The land had been used as a junkyard. The University received a $750,000 grant from the State to pay part of the costs of remediation of the land. Approximately $2.5 million of the proposed financing is to be applied toward the new Recreation Center, with the remaining portion to be allocated to the retirement of other outstanding long-term debt of the University, including the retirement of bonds issued by the Commission for the University in 1998 and 2000. Mr. White then inquired of the Commission members whether they had any questions in respect of the proposed project or the proposed financing.

Dr. Kutina complimented Mr. White on the University's acquisition of the former junkyard, noting that the proposed project would be good for the both the community and the University. In response to questions from Dr. Kutina, Mr. White noted that just under half of the University's nearly 2,000 students were "on-line" students. The University's growth in enrollment since the 1980s is attributable to a number of factors, including a good marketing program and the recent addition of the various programs referred to earlier. The University was founded in the 1880s as a for-profit institution. Mr. White stated that he has every confidence that the University will be able to raise funds for any project costs not covered by the proposed financing. A Capital Campaign is now in progress, a portion of which will be used to meet part of the Recreation Center costs. Approximately, $1.5 million has already been raised. Construction of the Recreation Center is scheduled to commence this Fall, with completion anticipated for Spring 2009.

In response to a question from Mr. Cosey, Mr. White stated that the new Recreation Center would be a multi-use facility and would include within it an indoor track, indoor soccer and football practice areas and other athletic facilities. The University's athletic programs are moving to NCAA Division II and will be a part of the Great Lakes Athletic Conference. In response to a question from Ms. Carter, Mr. White advised that as the proposed site is a former junkyard, there are various EPA requirements that will have to be satisfied. URS Consultants has been engaged by the University to assist with this process. The principal component of the environmental remediation of the site will include the removal and replacement of soil. Mr. Petrick congratulated Mr. White on the University's financial plan and capital campaign, including the lowering of the University's debt costs. In response to several questions from Mr. Needles, Mr. White advised that the Ohio EPA is the source of the various environmental remediation requirements (with funding coming from the Clean Ohio Fund). Mr.

White further confirmed that nearly half of the University's enrollment is through its "on-line" program, which is particularly strong in the University's law enforcement programs. For example, the University has programs for the Ohio and California highway patrols. The University's Capital Campaign (with a $12 million goal) is proceeding well, with approximately $1.5 million in-hand. The University, in working with its financial consultants, is confident it will achieve its remaining fundraising goals. Freshman and sophomore students are required to live in on-campus residence halls (four). Some juniors and seniors also live on-campus in approximately 25 houses. In response to a question from Dr. Krumm, Mr. White advised that the primary purpose of the University's current campaign is to build both the general endowment and money available for scholarship purposes.

Mr. Keefe noted that the resolution approves the preliminary agreement with the University for the proposed project and refinancings and is in the usual form.

Mr. Wells moved and Dr. Kutina seconded the motion that Resolution No. 2007-5 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, Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-5 adopted.

Resolution No. 2007-5 is as follows:

OTTERBEIN COLLEGE

The Chairman next called on the representative of Otterbein College. Present at the meeting on behalf of the College was Robert Gatti, Vice President of Student Affairs. Mr. Gatti initially noted that the College was last before the Commission in 2005 for the financing of the new residence hall. That project was completed on time and on budget. In the last 20 years, College enrollment has doubled to a current total enrollment of approximately 3,200. It is anticipated that the incoming Fall class will be over 670 students. The College has experienced 52 consecutive years of balanced budgets.

Mr. Gatti next spoke to other ongoing College initiatives. The College is currently working on the development of a new equine center, with the expectation that upon completion enrollment in the College's equine programs can be doubled to 150 in the next several years. The College also is in the process of upgrading its science and research facilities, funds for which are being provided by friends and alumni of the College. Further, the College is placing an increased emphasis on community service and student interaction with other cultures. In 2006, the College was the only institution in Ohio to be named on the President's Community Service Honor Roll. Last year, approximately 80% of the student body participated in various community service initiatives.

Mr. Gatti next described the proposed project for which the College seeks financing through the Commission. The project involves acquisition and renovation of an existing nursing and residential care facility located adjacent to the College campus for the purpose of converting the facility into a 188-bed student residence hall. The 58,00 square foot, three-story facility is situated on approximately 1.6 acres of land adjacent to the campus. The location of the project site is identified on a map of the College campus and surrounding areas, that was distributed to the Commission members (attached as Exhibit A). The proposed financing includes the $6 million purchase price for the facility and site, which includes a parking lot, and approximately $5 million worth of renovation and conversion costs. It is anticipated that the facility will be self-liquidating, with debt service on the bonds to be paid for from room and board collections and income from dining facilities. The new residence hall should generate a positive cash flow after its first year in service. In developing this new residence hall, the College is creating space to accommodate its stated goal of having 60% of full-time students live in College residence facilities and bringing students who live off-campus back on campus. Mr. Gatti then inquired of the Commission members whether they had any questions or comments.

Mr. Needles thanked Mr. Gatti for his helpful presentation. Mr. Petrick inquired, given the anticipated decline in Ohio high school graduates in the coming years, whether there would be sufficient demand for the added residence hall space. Mr. Gatti responded in the affirmative noting that, among other factors, the College's location and proximity to numerous strong high schools should allow the College to maintain enrollment numbers. The College can also look to upper classmen to fill space in the residence halls should the need arise. Upon further questions from Mr. Petrick, Mr. Gatti noted that there are approximately 75 students on a waiting list for the College's "suite" style residence facilities and an even larger waiting list for the College's apartment style housing. There are no wait lists for the College's more traditional residence facilities; freshmen and sophomores are required to live on-campus in these facilities. In response to a question from Mr. Cosey, Mr. Gatti stated that the suite style student residence facilities, including the new proposed facility, would be and are co-ed, but each suite (including the bathroom) is single sex. The suite style residence hall arrangements in particular are designed to keep students on campus. Dr. Kutina next inquired as to the $61,000 per bed cost of the project and how that compared to the College's last project. Mr. Gatti stated that he did not have that information in-hand but that he would get back to the Commission members with the answer. Further responding to a question from Dr. Kutina, Mr. Gatti noted that the campus's master plan had not been updated for approximately ten years, but he expects that the updating process would begin in the near future. Responding to Mr. Cosey's question, it was noted that a master plan is typically for the development of a College's capital facilities whereas a strategic plan relates to the development of College programs.

Mr. Petrick congratulated the College on its improved balance sheet and inquired of the litigation mentioned in the audit report included in the College's application. Mr. Gatti noted that the litigation relates to the Kilroy Property and its former use as a World War II munitions dump. The majority of the subject property does not have any environmental issues and is anticipated to be used for the College's expanded equine program. The litigation relates to a 30-acre portion of the land and it is hoped that the United States government will pay the clean up costs. Responding to a question from Mr. Needles, Mr. Gatti described the process through which the College reached an agreement to acquire the nursing facility. The College first looked at the facility for possible acquisition two years ago, but determined at the time that it could build its own residence hall at less cost than acquiring that facility for the then asking price. Since that time, the facility has maintained operations, but occupancy has fallen below 50%, and the owners have reduced their asking price. The College does not intend to have a specific fundraising campaign for this project, but rather expects that room and board and dining fees will be sufficient to pay debt service. Mr. Gatti noted that it is typically hard for a college to raise funds for a residence hall.

Further responding to questions, Mr. Gatti noted that the College has experienced 3.8% enrollment growth over the last ten years. Mr. Petrick noted that this is an impressive accomplishment, given that comparable institutions have experienced 2% to 3% enrollment growth during that same period. Dr. Speck noted his admiration for the College's recent progress and inquired whether the College would be able to fill the space in the new residence facility and whether it was cheaper for students to live off-campus. In response, Mr. Gatti noted that indeed off-campus living would be cheaper for students who chose to share older homes near the College campus. This would likely not, however, be the case for students who chose to live in more modern apartments in the community. In establishing what rates to charge for student residence suite or apartment-style facilities, the College prices to the comparable local market rather than to what other colleges in the State charge. There is an exception to the College's requirement with regard to on-campus residency for underclassmen for students who commute from their family homes in close proximity to the College campus. Dr. Speck also inquired of the impact reduced costs at public universities may have on the College. Mr. Gatti believes that this would not have a detrimental effect on the College. With a discount rate of 35%, the College would have the ability to move that up if necessary. Dr. Krumm next inquired as to whether having food service in the new proposed residence hall would have the effect of isolating students. Mr. Gatti said he was doubtful of this, noting that it is anticipated that the facility would be a theme restaurant open to all students rather than just those lived in that building. Responding to questions from Dr. Kutina, Mr. Gatti noted that the current male to female ratio of students was currently 62% female and 38% male. College athletic programs, notably the football program, help in male student retention. Overall, the College enjoys a 90% retention rate as students progress from freshman to sophomore years. The College further enjoys a 68% graduation rate after five years. Responding to a question from Dr. Krumm, Mr. Gatti noted that primary reasons for students leaving the College before graduation are most notably lack of preparation for college work or financial problems. As an example, Mr. Gatti noted that for college students this is the first time they have to buy their own books.

Mr. Keefe noted that the resolution approves the preliminary agreement with the College for the proposed project and is in the usual form.

Dr. Krumm moved and Dr. Speck seconded the motion that Resolution No. 2007-6 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, Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2007-6 adopted.

Resolution No. 2007-6 is as follows:

HEIDELBERG COLLEGE

The Chairman next called on Steven Storck, Vice President of Administration and CFO of Heidelberg College, to discuss the College's proposed financing. Mr. Storck stated that he had been at Heidelberg College for approximately one year and that he had been at Otterbein College for 18 years before that. Mr. Storck described the College as a comprehensive institution offering programs in the full range of the liberal arts, and also including programs in areas such as education and business. The College was founded in 1850 with an affiliation with what is currently the United Church of Christ. Current enrollment is just under 1,600, with a little over 1,000 of that representing full-time students and the remaining representing part-time students. Projected Fall 2007 enrollment is already 97 students ahead of where the College was last year and 13 ahead of where the College was at this time two years ago. The College offers 36 different majors and 16 minors, as well as masters programs in education, counseling and business administration. The current student-faculty ratio is 13:1. The College's strengths include its honors program, its 50-year relationship with Heidelberg College in Heidelberg, Germany and the National Center for Water Quality Research located on the College campus. The College participates in NCAA Division III athletics, with 19 different varsity sports.

Mr. Storck advised that the College was before the Commission in 2003 and 2004 in connection with financings for the renovation and expansion of the College's science facilities. Those projects were completed on time and on budget. Mr. Storck stated that the current proposed project relates primarily to various renovations and upgrades to College residence halls, most of which ($1.5 million) will be in Brown Hall, which was built in 1959. Brown Hall improvements include a new boiler and chiller system, as well as upgrades to interior walls, acquiring new furniture and various other renovations. Approximately $500,000 will be used for renovations and upgrades to other residential facilities. These upgraded facilities will help accommodate the needs of resident students and anticipated enrollment growth. The College's strategic plan calls for one to two percent growth in enrollment every year, with a goal of reaching 1,200 full-time students. The College is seeking to maintain and indeed grow its market share, knowing that its current annual tuition of just over $18,000 is helpful in this regard. The College also maintains aggressive discount rates. The proposed financing also includes the refinancing of a loan from Old Fort Bank incurred in 2003 in connection with the acquisition of an apartment facility currently used for student residences. The current bank note bears interest at 6-3/4% and is outstanding at approximately $1.0 million. Refinancing that loan through the Commission will result in interest savings to the College.

Mr. Petrick thanked Mr. Storck for his comprehensive presentation and inquired as to the performance of the College's investments and its recent operating deficit as reflected in the audited financial statements of the College. Mr. Storck stated that the operating deficit is intentional, and is a result of various initiatives launched by the College's president over the last four years. The College's need to address deferred maintenance is also partly responsible for the recent deficit. There will be a deficit over the next fiscal year as well, but it is expected to be much smaller. The College has recently restructured its post-retirement benefits program, and expects to achieve significant savings in this area. The College also expects to improve its operating revenues through increased enrollment and student retention. In response to a question from Dr. Speck, Mr. Storck stated that some of the renovations could be categorized as maintenance expenses, but that would be somewhat incidental to the overall project's capital improvements, most notably HVAC improvements as well as others. One of the principal benefits of this will be the ability to operate residence halls year round and thereby host and operate various summer programs. At the request of Dr. Kutina, Mr. Storck described the College's Maumee Campus. The campus is located in an industrial park and is utilized by approximately 500 part-time students. The College has operated a facility at that site for 11 years and is hopeful that it can grow its part-time enrollment to 800. Degree programs are offered at the facility, which is staffed both by University faculty and other adjunct faculty from the Toledo and southern Michigan areas. In response to questions from Mr. Needles, Mr. Storck stated that the College's investments are managed by the Compass Group, an affiliate of Wachovia Bank. The College's investment strategy is slightly more aggressive than others, with 75% of their funds invested in equities. The College evaluates its investment managers on an annual basis. With regard to the financing, the proposed bond issue is expected to have a 20-year amortization. It is currently anticipated that the College will participate in the Commission's Pooled Financing Program, although College officials are still evaluating their options and ways to manage interest rate risks.

Mr. Keefe noted that the resolution approves the preliminary agreement with the College for the proposed project and refinancing and is in the usual form.

Mr. Petrick moved and Ms. Carter seconded the motion that Resolution No. 2007-7 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, Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-7 adopted.

Resolution No. 2007-7 is as follows

COMMISSION FEE POLICY.

There next ensued a brief discussion of the Commission's proposed revised fee policy. Mr. Needles confirmed with the other members that they desired to proceed in revising the Commission's fee policy with regard to financings for higher educational facilities and for health care facilities. This is consistent with the members' discussions on the subject at prior meetings and with the form of resolution regarding the same distributed by Mr. Keefe to the members before the meeting. Mr. Petrick noted that the changes in fee structure would have very little impact on the majority of deals approved by the Commission, and would only result in increased fees for the largest financings. Mr. Keefe noted that the new resolution would take effect in July and would not apply to institutions that had already come to the Commission for preliminary approval or that would be participating in the anticipated pooled financing.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2007-8 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, Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-8 adopted.

Resolution No. 2007-8 is as follows

OTHER BUSINESS

Ohio Christian University. The Commission members discussed the Ohio Christian University financing, final approval for which was given at the May meeting. Mr. Keefe had distributed to the Commission members the portion of the Preliminary Offering Circular describing the University a week prior to this meeting and noted that he had responded to questions from both Mr. Petrick and Dr. Krumm regarding that document. The University is planning to distribute the Preliminary Offering Circular as soon as possible, but, as noted at the last meeting, Mr. Keefe wanted to give the members an opportunity to review the University description. There was no further discussion or questions on the draft document.

Antioch University. The Commission members also discussed recent news of the planned closure of Antioch College in Yellow Springs. The Commission issued bonds in 2006 for Antioch University for purposes of financing a new campus for Antioch University McGregor, which is not scheduled for closure, and the refinancing of bonds previously issued by the Commission. Dr. Kutina had circulated an article from the *Chronicle of Higher Education* regarding the College to the Commission members. Mr. Petrick advised that the Board of Regents will continue to monitor the situation. Mr. Keefe noted that the Commission's bonds are backed by a letter of credit. At this time, it is expected that the University will be able to meet its obligations on the bond issue.

National Associations. The Commission members further discussed the materials distributed before the meeting regarding the National Associations of Higher Education and Healthcare Finance Authorities. At the request of Commission members, Mr. Keefe agreed to obtain information regarding membership requirements and to draft the resolution authorizing the Commission to join those entities.

Financial Ratios. Mr. Petrick then gave the Commission members a power point presentation regarding an approach the Commission may take in assessing the strength of academic institutions that come to it for financing. The program, based on a model generated in the North Carolina University system, develops ratios arrived at by weighing numerous factors, financial and otherwise. Mr. Petrick plans to review the program with various financial officers of the colleges and universities, with the hope of developing a system that the Commission can use to monitor the performance of private colleges and universities on an on-going basis. Mr. Petrick and Mr. Wermuth (who has been assisting Mr. Petrick) will update the Commission members as to the progress of this initiative at the next meeting.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on July 18, 2007, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

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Secretary