

HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

May 16, 2007

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, May 16, 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, Tahlman Krumm and Sam Speck. Ronald E. Cosey and Henry Kasson were 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 Katie Hensel 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 April 18, 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.

Vice Chairman Petrick introduced James Wermuth, who has recently joined the Board of Regents staff and will be assisting the Commission. Mr. Petrick noted that Mr. Wermuth received his Master's degree from the University of Kentucky. The Commission members welcomed Mr. Wermuth.

OHIO DOMINICAN UNIVERSITY

Mr. Needles called on Ronald Seiffert, Vice President for University Resources, to discuss the University's proposed bond financing. Mr. Seiffert opened by stating that the University is deeply engaged in design work for the proposed residence hall and student center. Ground breaking for the new residence hall is scheduled for this September, with the expectation that it will be open before the start of the Fall 2008 semester. Ground breaking for the new student center is scheduled for this November, with an anticipated completion date sometime in the first quarter of 2009. The University's discussions with JPMorgan Chase Bank regarding the terms of its letter of credit, which will be issued to further secure the proposed bonds, are near completion. Mr. Seiffert then offered to answer questions of the Commission members.

In response to a question from Dr. Kutina, Mr. Seiffert confirmed that the bonds would be issued as variable rate debt; however, approximately \$30 million of the proposed issue may be swapped to a fixed interest rate. Dr. Krumm inquired as to the ability of the new president to continue the University's six-year trend. Mr. Seiffert responded by confirming that this certainly was the Board's expectation. In budgeting for the proposed bond issue, the University was taking the conservative approach of assuming no enrollment increases or additional fundraising. In response to questions from Mr. Speck and Dr. Krumm, Mr. Seiffert stated that the University would have tuition increases in the coming years starting at 6% for 2007-08 and increasing to 8% for 2008-09. The University will be mindful of public reaction to the rate increases, but also noted that, even with the increases, the University would be in the middle of its peer group as to tuition rates. Mr. Seiffert indicated that the University's Ohio competitors included Otterbein College, Capital University, Xavier University, the University of Dayton and John Carroll University. At the request of Mr. Needles, Mr. Seiffert confirmed that the new proposed dormitory should be open prior to the commencement of classes in the Fall 2008. The University has confidence in its architect and construction manager.

Mr. Keefe indicated that the financing documents were in substantially final form and that the bond issue is expected to close in the first half of July. The resolution under consideration approves the bond issue for the University and the related bond documents.

Dr. Krumm moved and Mr. Kutina seconded the motion that Resolution No. 2007-3 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: Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2007-3 adopted.

Resolution No. 2007-3 is as follows:

OHIO CHRISTIAN UNIVERSITY

The Chairman next called on representatives of Ohio Christian University. Present at the meeting on behalf of the University were Mark Smith, the University's President, Robert Hartman, the University's Vice President of Finance, and Dallas Hurt, Vice President of Sweney Cartwright & Co. (the underwriter for the proposed bond issue). Mr. Smith opened by noting that the University is expecting its largest class ever this coming Fall. Enrollment in the University's adult program has now exceeded the University's initial goal of 300 and the University has established an enrollment of 400 as its new goal for adult programs. With regard to fundraising, the University has recently received its largest gift ever and is actively pursuing additional gifts from alumni and other friends of the University. Mr. Smith thanked the Commission for the opportunity to return for final approval of the proposed bond issue.

In response to a question from Mr. Petrick, Mr. Hurt stated that the anticipated par amount of the bond issue is \$8.4 million. Mr. Hurt continued by summarizing the University's negotiations with various banks and bond insurers over the last several months. When the University came to the Commission for preliminary project approval in November 2006, it was anticipated that the bond issue would be either a variable rate issue secured by a letter of credit or a fixed rate issue secured by a municipal bond insurance policy. As conversations with New York based banks and insurance companies progressed, however, it became evident that they wanted to see a longer track record of strong performance by the current University administration before they would issue a letter of credit or an insurance policy. The University also pursued credit enhancement with local Ohio banks. Although they expressed interest in the University, they too ultimately wanted to see a longer track record of performance by the University administration. Mr. Hurt stated that the University was eager to pursue the financing in any event, as work on much of the proposed project has commenced or indeed has been completed. Approximately \$6,000,000 of the proposed bond issue will be used to refinance current University obligations. Much of the remainder of the bond proceeds will be used to purchase approximately 14 acres of land adjacent to the University. The expense of purchasing the land will be offset by the fact that the University would then no longer have to pay rent for the land that it currently leases. The portion of the project relating to the new residence hall has been designed, but bids for construction work have not gone out. The proposed issue size of \$8.4 million is not expected to increase. Mr. Hurt expressed confidence in the bond issue and the University and that his firm can underwrite and sell the bonds. Mr. Petrick thanked Mr. Hurt for this thorough discussion of the bond size and related matters. Mr. Speck then reviewed the project description and asked if the University was really able to accomplish all this with just under \$8.5 million. Mr. Hurt and Mr. Smith responded in the affirmative, indicating that the University's projects are much smaller than what the Commission might typically see, noting as an example that the new residence hall would only have 48 beds. Mr. Smith briefly noted that the proposed campus leadership center would be approximately 30,000 square feet in size. The center is intended to be not only of great benefit to the University, but of benefit to Pickaway County as well, noting that the University has become one of the key drivers for economic development in the area. Several community groups have expressed interest in this center, including a local High School that has proposed using the site for its graduation ceremonies.

In response to a question from Mr. Needles, Mr. Smith confirmed an overall current enrollment of approximately 550 for the last year, with a goal of 600 for the next year. The School has conservatively budgeted based on last year's enrollment numbers rather than expected enrollment for the coming year. A discussion then ensued regarding the University's satellite facilities. In response to questions from Mr. Needles and Dr. Kutina, Mr. Smith stated that there is in fact some overhead expenses associated with operating the various satellite facilities, which most notably include costs of leasing space and instructors' salaries. The University sees existing and future satellite facilities as an area for great potential growth for the University, focusing on areas within the State that are currently underserved with regard to attainment of bachelor level degrees. This includes the University's facility in Lancaster County. With respect to each satellite facility, the University will partner with other institutions to the extent possible. As an example of this, Mr. Smith noted the University's partnering arrangements with Columbus State College. Columbus State College only offers two-year programs. By working with Columbus State College, the University is providing an opportunity for Columbus State College students to progress from an associate degree to a bachelor's degree. The University's primary monetary benefit from entering into such an arrangement is the tuition received from these students as they come to the University to complete their last two years of college. In response to questions from Ms. Carter, Mr. Smith noted that while partnering relationships require that the University work closely with other institutions, there is no sharing of revenues. Specific areas of study that the University offers in cooperation with Columbus State College include: substance abuse, ministry and ethics, and business and ethics.

In response to an inquiry from Dr. Kutina, Mr. Keefe noted that the religious aspects of the project would be problematic if it were to be used solely for religious activities. Given the diverse programs for which the project facilities are anticipated to be used, no issue is expected in this regard although this will be reviewed with the University. Mr. Keefe noted that the bond documents are in substantially final form, and that the University is in the process of completing the offering circular for the issue. Mr. Keefe will distribute the portion of the document describing the University to the Commission members with the invitation that they respond with any follow-up questions they may have in respect of the same. The resolution under consideration approves the bond issue for the University and the related bond documents.

Dr. Kutina moved and Dr. Krumm seconded the motion that Resolution No. 2007-4 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, Krumm, Kutina, Needles, Petrick, Speck, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-4 adopted.

Resolution No. 2007-4 is as follows:

OTHER BUSINESS

Mr. Petrick updated the Commission members as to both his Senate testimony and the Myers University situation. Mr. Petrick noted that for the first time in years, he was asked specific questions with regard to the Commission while at the Senate committee hearing. Specifically, Senator Carney from the Cleveland area inquired about the Commission's position with respect to hospital financing. Mr. Petrick noted that his response was to the effect that while the Commission did not write the law authorizing it to issue bonds on behalf of the hospitals, the Commission did, to his belief, accept this mandated responsibility. The Commission's first hospital facilities bond issue was for University Hospitals in Cleveland. The Commission performed good due diligence with respect to the University Hospitals' financing and provided that financing in a very cost effective manner. With regard to Myers University, references were made to the *Plain Dealer* articles distributed to the Commission members by Mr. Keefe regarding the University's current economic difficulties. Mr. Petrick stated that the Board of Regents had been working with the University in the hope that it would be able to, at a minimum, find some temporary financial relief. Current possible scenarios include the acquisition of the University by a for-profit entity or the University declaring bankruptcy. Mr. Keefe noted that in both such situations, the letter of credit bank would be called on to pay off the Commission's bonds.

A discussion ensued regarding the Commission's fee policies. Specifically discussed were the five fee proposals distributed prior to the meeting by Ms. Hensel. After discussion of the Commission's monetary needs and the propriety of a fee adjustment, if any, the Commission members reached a consensus that option number five in the materials distributed by Ms. Hensel (attached as Exhibit A hereto) seemed most appropriate. Mr. Keefe agreed that he would present to the Commission members for consideration at its next meeting a resolution approving the revised fee structure as reflected in that option number five. The Commission members also thanked Katie Hensel for her remarkable service to the Commission, including the resolution of the past due Commission charges and the creation of the Commission's web page. The Commission member wished her the very best.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on June 20, 2007, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Secretary