HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

July 18, 2007

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, July 18, 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; Henry Kasson and Sam Speck. Ronald E. Cosey and Tahlman Krumm were absent. Also present were representatives of the educational institutions making presentations to the Commission; John Wendling of RBC Capital Markets; 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 June 20, 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.

OTTERBEIN COLLEGE

TEFRA Public Hearing. The Chairman requested that Mr. Keefe conduct the public hearing required under the federal income tax rules for the financing of the project for Otterbein 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.

The Chairman called on Robert Gatti, Vice President of Student Affairs, to update the Commission as to the proposed financing for Otterbein College. Mr. Gatti thanked the Commission members for their time and proceeded to update the Commission members as to various matters discussed at the June 20 Commission meeting. As a point of clarification, Mr. Gatti noted that there was an 81% retention rate for students moving from freshman to sophomore years at the College. With regard to the College's Kilgore property and its potential environmental liabilities, Mr. Gatti noted that updated cost estimates based on EPA findings suggest a total remediation expense of approximately $3.8 million. The College will continue to pursue federal agencies for help in covering the cost. With regard to the proposed project, the College has determined the approximate cost per bed to be approximately $52,311. Finally, Mr. Gatti noted that the pro forma projections provided by the College were based on current actual costs, with an assumed 3.5% inflation rate added in.

Mr. Petrick thanked Mr. Gatti for his follow-up, and inquired whether the dining revenue figures shown in the pro forma cash flow handout was net of expenditures. Mr. Gatti responded in the affirmative, noting that the figure shown was as a net addition to overall revenues, reflecting the projection that more students would be dining on campus as a result of College initiatives.

Mr. Keefe stated that the bond documents had been prepared in substantially final form and presented to the Commission. The anticipated closing date for the bond issue is in the second half of August. The resolution approves the bond documents and authorizes the issuance of bonds for the College. Mr. Needles expressed the Commission's appreciation for the College's update.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2007-9 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: Kasson, Kutina, Needles, Petrick, Speck and Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2007-9 adopted.

Resolution No. 2007-9 is as follows:

TIFFIN UNIVERSITY

The Chairman next called on James White, Vice-President for Business and Finance of Tiffin University, to provide an update as to the University's financing. Mr. White noted that this was his second appearance before the Commission, having appeared at the June meeting for the University's preliminary approval. Mr. White thanked the Commission members, noting the financing's importance to the University. Mr. White then inquired whether the Commission members had any follow-up questions or comments. Mr. Speck asked about the estimated interest rates in the resolution. Mr. Burlingame explained that these are set as maximums. Thus, 8% is set for a fixed-rate bond issue (current rates are around 5%) and 12% for a variable rate bond issue (rates are now around 3.5 to 4.0% but the letter of credit bank documents provide for a higher rate as a cap). Mr. Keefe noted that such a rate would more likely be 10%.

Mr. Keefe stated that the bond documents had been prepared in substantially final form and presented to the Commission. The anticipated closing date for the bond issue is August 1st. The resolution approves the bond documents and authorizes the issuance of bonds for the University.

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

Mr. Rich Petrick moved and Mr. Kasson seconded the motion that Resolution No. 2007-10 be adopted.

Aye: Carter, Kasson, Kutina, Needles, Petrick, Speck and Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-10 adopted.

Resolution No. 2007-10 is as follows:

HIRAM COLLEGE

The Chairman next called upon representatives of Hiram College to discuss their application to the Commission. Present on behalf of the College were Thomas V. Chema, President of the College, and Stephen W. Jones, Chief Financial Officer of the College. Mr. Chema thanked the Commission members, stating that the projects described in the College's application are important and will help facilitate growth at the institution. Looking back, Mr. Chema noted that College enrollment peaked in the early 1970's at 1,400, but as a Board policy was reduced to 1,000 in the 1970's. The 1990's marked a period of decline for College enrollment, continuing to 2003 when overall enrollment fell to 720 students. The last two years have seen increases in enrollment with 328 incoming freshman last Fall and 374 deposits for incoming freshmen already received for this coming academic year. Overall enrollment for the upcoming academic year is expected to be approximately 970, with a goal of achieving overall enrollment of 1,300 in three years. With the anticipated growth in enrollment, Mr. Chema described the College's need for additional student housing. The College is located in rural Portage County, with few alternatives for off-campus housing. Currently, only 6% of the student population commutes. Further, the College's existing dormitories are aging, with no new residence halls having been built in the last 40 years. The new proposed residence hall would address the needs of current and prospective students, which would include suite style living. The suite style design is intended to be attractive to the prospective student, who typically did not grow up in a household where he or she had to share a room with a sibling. The proposed residence hall will provide space for a total of 102 student beds. There also will be space within the residence hall to house an entrepreneur in residence as part of the College's new entrepreneurship program. The anticipated cost of the residence hall is $7 million.

Mr. Chema next described the second part of the College's request. This includes an approximately 12 to15 thousand square foot dining facility, which would be an addition to the existing student center. As with the proposed residence hall, the new dining facility is necessary to facilitate campus growth. It will also function as a central gathering spot for the College community. URS is being engaged by the College as the architect for the project, a budget for which is in place. Definitive drawings, however, have not been produced. With regard to fund raising for the respective components, the College anticipates receipt of $2-4 million in gifts for the new residence hall and $2.5 million in gifts for the dining facility.

Mr. Chema then introduced Stephen Jones, the College's Chief Financial Officer. Mr. Jones joined the College last November, replacing the former Chief Financial Officer. The former Chief Financial Officer retired to pursue opportunities allowing her to spend more time with family. Mr. Jones had been the Chief Financial Officer at West Virginia Wesleyan and was hired with the full support of the College's Board.

Mr. Jones noted that during the six months he has been at the College he has been working with the school's accounting staff to improve budget forecasting and recordkeeping. Prior to his time at West Virginia Wesleyan, Mr. Jones was President and CFO of a private for-profit company. One of the other initiatives Mr. Jones is working on is to forecast student retention by class rather than with the view to the entire student body.

Mr. Chema and Mr. Jones then inquired of the Commission members if they had any questions in respect of the College's proposed projects. In response to questions from Dr. Kutina, Mr. Chema noted that the College had no firm estimates as to the cost of the proposed walkway connecting the new dining facility with the College's sports and recreation center. The cost should be approximately $200,000, as it will not be heated or air-conditioned, and will be covered but not enclosed. The proposed bridge will be approximately 80 feet in length and designed to connect the College's upper and lower campuses. The College's art programs are moving to the lower campus, which will also be the location of the new residence hall. The College is also pursuing a joint venture on a 140-acre parcel adjacent to the lower campus; the anticipated use for it will be a senior living facility. The College expects that it will take more than a year to achieve "break-even" revenues with regard to the proposed residence hall. Although the College will charge a $500 premium for rooms in the new building, the use of the residence hall for other purposes and the College's commitment to holding down fees will initially not permit a "self-liquidating" facility. Mr. Chema noted that 40% of the College students are first generation college enrollees and that the College's discount rate is currently at the maximum level the Board feels comfortable with. One of the administration's current short term goals is to reduce the discount rate (or at least not let it get any higher).

Responding to further questions from Dr. Kutina, Mr. Chema noted that it is unclear why the Board decided to reduce total enrollment to 1,000 in 1973. College records on the subject are sparse. Mr. Chema expressed a high level of confidence in the College administration's projections for future enrollment growth. Enrollment has grown over the last three years, with the last academic year being the best enrollment for the College since 1973. Deposits for incoming freshman are already 50 over from deposits received this time last year. Mr. Chema also expects to see additional growth as a result of the addition of a nursing program to the curriculum. The College expects to enroll up to 60 students in the nursing program each year. Mr. Chema noted that the primary challenges for the College are to maintain fiscal discipline and to grow the College endowment. The current endowment is at $76 million. Mr. Chema would like to see this amount grown to $250 million.

Responding to further questions from Dr. Kutina, Mr. Chema noted that future nursing students would receive training at various local hospitals that have expressed interest in the program. These include The Cleveland Clinic Foundation, University Hospitals of Cleveland, Summa Health System, Robinson Memorial Hospital and other hospitals in the Warren and Youngstown area. The head of the nursing program is the widely respected former director of the nursing program at Kent State University. It is anticipated that the nursing program will receive substantial scholarship support from various foundations, including the foundations tied to each of the former St. Luke's Hospital and Mt. Sinai Hospital, as well as from the Sisters of St. Augustine. The nursing program has received approval from the Board of Nursing and expects approval from the Ohio Board of Regents in the coming months. Initially, the notion of a nursing program was a challenge at Hiram, a traditional liberal arts school. The faculty, however, is now fully supportive of the program.

Mr. Speck congratulated the College on its enormous progress and inquired of its endowment spending practices. Mr. Chema advised that the spending rate is 5-1/2% based on a rolling three year average, and had been as high as 8 to 9%. Mr. Chema would like to see the spending rate reduced to 5%. Mr. Jones noted that one of his accomplishments at West Virginia

Wesleyan was reducing that institution's deficit and he intends to repeat the model used there at Hiram. Mr. Jones would like to run the College more like a business, producing financial reports on a monthly basis. Mr. Chema also noted that the Board is much more engaged, as evidenced by their scheduled special July meeting, there being no other reason for which other than that Board members felt they did not gather with enough frequency. As to expenses, Mr. Chema noted that the College went through a difficult period of cutting staff and pension benefits. While initially unpopular, the cuts were necessary, and with an improved balance sheet the College has resumed contributions to the pension plan.

In response to questions from Mr. Needles, Mr. Chema confirmed that current annual tuition is $24,000 and annual room and board is $8,000. Tuition was raised 3% for this coming year; however, there was no increase last year. Mr. Chema also noted that the entrepreneurship program will be funded in part by grants from the Ewing Kauffman and Burton Morgan foundations. The Ewing Kauffman Foundation historically focused on large public and private universities, but now has joined with the Burton Morgan Foundation to focus on entrepreneurship programs at small liberal arts colleges, such as Hiram. The goal of the program and the grants is to instill entrepreneurial thinking in students and faculty. Steve Sabore will be heading up the program, which will include workshops teaching improved ways of doing business. Part of the program will be to house an entrepreneur on campus for a period of three weeks to a full semester. The program will focus on entrepreneurial thinking at for-profit businesses, as well as at nonprofit entities. College support for the program is growing, with 10% of the College faculty having participated in the last entrepreneurial workshop. The two foundations have taken a hands-on approach with regard to the program, with foundation monitors having visited the campus twice already. Mr. Needles then inquired about the future of the program once the five-year period of the foundation grants expired. Mr. Chema indicated that the College is committed to continuing in the program beyond the initial five-year term. The Foundations require at least 30% contribution from the College to fund the program. The College intends to raise 150% of the current cost as an endowment in order to maintain this program.

Mr. Keefe noted that the resolution approves the preliminary agreement with the College for the proposed project. The resolution and that agreement are in their usual forms.

Mr. Wells moved and Mr. Petrick seconded the motion that Resolution No. 2007-11 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: Kasson, Kutina, Needles, Petrick, Speck and Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2007-11 adopted.

Resolution No. 2007-11 is as follows

OTHER BUSINESS

The Commission members briefly discussed the status of its proposed membership in the National Association of Higher Educational Facility Finance Authorities. Mr. Keefe stated that the Authority is in the process of merging with the National Association of Healthcare Finance Authorities and thought it would be advisable to wait until after the merger is consummated to submit the Commission's application. Mr. Keefe will update the Commission members at the September meeting as to the status of this merger. Mr. Petrick and Mr. Wermuth continue to work on developing the financial ratios program that the Commission may use to assess the fiscal status of applicants. Mr. Petrick noted that they have been reviewing ratio methodology developed by the U.S. Department of Education, and would be developing a small working group with college finance officers to develop the program for use by the Commission. Mr. Petrick will report back to the other Commission members as to the status of this work at the September meeting. The Commission members also discussed the status of the Antioch College closure and its facilities. The Commission members noted that there had been extensive national press coverage of the event and that the Board of Regents would continue to monitor the situation.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on September 19, 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