

HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 17, 2007

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 17, 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; Kenneth Kutina, Deputy Secretary; Wanda Carter; and Henry Kasson. Ronald E. Cosey, Tahlman Krumm, Sam Speck and John Wells were absent. Also present were Richard Hirté, Senior Vice President of Xavier University; Francis Barry Keefe 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, Dr. Kutina 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 September 19, 2007, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. The Commission members present unanimously approved the minutes of that meeting as submitted.

XAVIER UNIVERSITY

Dr. Richard Hirté, Senior Vice President for the University, was invited by the Chairman to discuss Xavier University's request for financing. Dr. Hirté noted that he had served two terms on the Commission and that his experience was one of the highlights of his long career in college finance. Serving on the Commission gave him an opportunity to contribute to its work and to learn from interactions with the other colleges and universities in the State. Dr. Hirté emphasized that the Commission plays a very critical role in assisting the nonprofit colleges and universities in the State and has been especially helpful to Xavier University. The University would not have been as successful without the Commission's assistance.

Dr. Hirté explained that the University is undertaking a major renovation of its core campus. It is creating the James E. Hoff, S.J. Academic Quad that will include renovations to several existing classroom buildings and the library, construction of a new College of Business building and construction of a new Learning Commons and Auditorium, which will provide the latest technology and academic support for student learning, plus new walkways and parking facilities. One of the buildings to undergo major renovation is Alter Hall, the primary classroom building built in the 1960s. This building will be remodeled to create smaller classrooms with the modern technology that is required to provide today's quality learning experiences. The University is very aware that it must continue to provide a high-quality education. As a private institution it must charge substantial tuition to meet its costs. The current tuition is \$23,000, which is still in the lowest quartile of other comparable universities with which it competes for students, including, for example, the University of Notre Dame, as well as Case Western Reserve University and the University of Dayton, the first and second largest private universities in the State. Xavier University is now the third largest.

The new Academic Quad is named for the University's past president, James E. Hoff, S.J., who died from cancer in 2003. The Academic Quad will be funded in part from a capital campaign with a goal of \$200 million, the largest fund-raising campaign by the University. The campaign, "To Seek Great Wonders," is under way and has been successful so far. Significant pledges and cash contributions have been received already. Dr. Hirté said that the final amount received could reach as much as \$225 million.

The new Business School building will provide support for that growing program. There is a new dean for the Business School. There is increasing interaction with regional business leaders. The MBA program is now ranked 26th in the nation; it is structured so it can be completed in 18 to 24 months by students participating part time while working. The Executive MBA program is also successful. The building is expected to cost \$25 million, part of which will be funded with the proposed bond issue.

Overall cost for the Academic Quad project to be funded with bond proceeds is \$120 million. The University believes that this will cover project costs and that any unexpected cost overruns can be met by the University. The University had the assistance of American Physical Plant Association in planning the Academic Quad and in selecting the architect (after receiving a number of proposals), Shepley Bulfinch Richardson & Abbott. The architect has designed similar projects for Duke and Marquette Universities.

The University has created a five-year budget that incorporates the projected operating costs for the new and renovated buildings. It also includes money for other repair and renovation for existing facilities, which will grow from \$1.5 million to \$5.0 million over that five-year period. This will allow the University to maintain its facilities so they continue to “look good and feel good,” which is an important factor in the quality education the University offers to students.

Debt service on the bonds will be met from revenues of the University and from certain of the contributions from the capital campaign. The bonds will be structured so that as the designated contributions are received they will be used to pay the debt service on the bonds. Since most of those contributions will be received in the next 10 years, a portion of the bonds may be issued as variable rate bonds so that they can be paid off quickly. This will provide for a very aggressive amortization schedule for the bonds. The University has selected Lehman Brothers as the underwriter for the bonds.

Dr. Hirté provided additional information about the University. The University’s academic program is built around a core curriculum that takes one-half of the credit hours, with the student’s major accounting for the remaining credit hours. The core curriculum includes courses in history, mathematics, sciences, languages, ethics and philosophy. *U.S. News and World Report* has ranked the University second in the region. Phi Beta Kappa has recently awarded a chapter for the University. Enrollment has increased, and all residence halls are fully occupied. During Dr. Hirté’s 24 years at the University, the endowment has grown from \$10 million to \$125 million. The goal is to double that in the coming years. The University is working with a local developer on a project adjacent to the campus, which will include student and other housing facilities and recreational and commercial facilities.

The proposed bond issue may also include the refunding of approximately \$100 million of outstanding bonds previously issued by the Commission. This would result from an ongoing review of the University’s current debt and proposals for restructuring that debt (see Exhibit A provided by the University). With this restructuring and a favorable interest rate climate, the University may be able to substantially lower its overall weighted average cost of debt (see Exhibit A).

Dr. Kutina commented that he had worked with the architects selected by the University and had good experiences. In response to several questions from Dr. Kutina and Mr. Petrick, Dr. Hirté discussed some preliminary proposals for structuring the debt. These include issuing variable rate debt that can be prepaid at any time. This could be matched with the expected receipt of contributions that are specifically designated for the project. Some of the contributions already received will be invested. The campaign has raised approximately \$140 million so far. Some of that is designated for endowed chairs, some for financial aid and other operating costs and other programs. Dr. Hirté stated that when he returns for final approval of the bond issue he will provide a more itemized description of the components of the project. He did provide a cost and time schedule for that project (see Exhibit B provided by the University).

In response to a question from Mr. Kasson, Mr. Keefe noted that references to a “synthetic fixed rate” usually referred to a variable interest rate bond that is matched with a fixed-rate swap agreement that has the effect of creating a fixed-rate debt for the University.

Mr. Keefe noted that the resolution for consideration approves the preliminary agreement between the Commission and the University, which is in its usual form. The University expects to return to the Commission for final approval later this year, with the hope that bonds may be issued by the end of December.

Mr. Kasson moved and Mr. Petrick seconded the motion that Resolution No. 2007-15 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, Kasson, Kutina, Needles and Petrick

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-15 adopted.

Resolution No. 2007-15 is as follows:

OTHER BUSINESS

In reviewing the status of the ratios project, Mr. Petrick mentioned Mr. Kasson's concern whether there would be benchmarks related to those ratios. He indicated that the ratios would not necessarily be used to determine eligibility for financing. The ratios would provide additional information concerning the colleges and universities coming to the Commission. Mr. Keefe stated that the bond rating services have their own ratios and do have certain benchmarks, which provide part of the basis for a rating. Mr. Petrick noted that work will continue on the ratios project, in particular with regard to certain accounting terminology.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on November 14, 2007, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Deputy Secretary