HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

October 18, 2006

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, October 18, 2006, 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 Ronald E. Cosey. Henry Kasson was absent. Also present were representatives of the educational institutions making presentations to the Commission and their financial advisors, 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 September 20, 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.

CAPITAL UNIVERSITY

The Chairman called on Susan Tate, Interim Chief Financial Officer and Treasurer of the University, to provide an update as to the University's request for financing.

Ms. Tate advised the Commission members that there has been no change in the proposed project to be financed since the Commission's September meeting. The University has also decided not to pursue the refinancing of the $700,000 loan discussed at the September meeting. The University was unable to negotiate favorable terms with the lender. Ms. Tate thanked the Commission for its support during the University's time of transition and inquired of the members whether they had any questions regarding the budget and finance report submitted to the members prior to the meeting.

In response to questions from Dr. Kutina regarding the budget and finance report, Ms. Tate indicated that future expenses relating to post-retirement benefits were calculated on an actuarial basis, accounting for amounts actually paid out to retirees. Ms. Tate further indicated that The New Center, which opened in January of 2005 and is a professional development facility, is being closed as it has failed to meet the University's revenue expectations. The decision to close this off-campus facility was initiated by the President's Cabinet. Other University programs within the facility will be moved to other buildings. Ms. Tate further confirmed the planned closure of the University's Cleveland and Dayton locations. She noted that The New Center is distinguishable, however, as it was a professional center and not in support of degree-issuing programs. The Cleveland and Dayton facilities will be phased out over time to accommodate the needs of students currently enrolled at those locations. Ms. Tate also indicated that the University was evaluating the continued use of the "Emeritus" retirement benefit in order to achieve further savings for the University and at the same time continuing existing retirement benefits.

In response to questions from Dr. Krumm, Ms. Tate confirmed that the discount rate for incoming students has approached 50% for the last two years. Maguire and Associates is working with the University to reduce that number. Ms. Tate also confirmed that Saylor Ackerman Hall will be reopening with 220 bed capacity to meet increased demand for student housing. In response to a question from Mr. Cosey, Ms. Tate advised that the President's Cabinet approval process for purchases over $250 has been in place since Spring of this year and has been working relatively well, with minimal deviations from the requirement.

Mr. Petrick thanked Ms. Tate for providing the budget and finance report to the Commission members. In response to questions from Mr. Petrick and Mr. Needles, Ms. Tate advised that there are over 700 incoming freshmen this fall, with the total enrollment of 2,200 (total headcount 3,800 including graduate students). Ms. Tate emphasized that the University is looking at ways to improve student retention. The size of the freshmen class has increased by about 100 students and the school has the capacity to meet this class size, although they are planning for an incoming class of 650 students next fall. Ms. Tate advised that the biggest loss of students initially enrolled in the school is between the freshmen and sophomore years. Although the school does not regularly conduct exit interviews, the University has called every freshman to see how they are doing.

In response to questions from Dr. Kutina regarding savings on the debt to be refinanced, Ms. Tate referred to Jamie Wilhelm from RBC Capital Markets, the University's underwriter for the bonds. He indicated that the University should realize over $250,000 present value savings with regard to the refinance of the 1996 OHEFC Bond. The refinancing of the 1996 Bond will also provide the University relief from unfavorable financial covenants. With regard to the refinancing of the 2001 OHEFC Pooled Bond, Mr. Wilhelm advised that the University expects savings realized through lower letter of credit fees, as well obtaining relief from unfavorable financial covenants. The University also anticipates significant savings on the refinancing of its construction loan from The Huntington National Bank, which is a LIBOR based loan. In response to a question from Mr. Needles, Ms. Tate advised that the University board is currently evaluating whether to extend Dr. Bowman's status as interim president or whether to presently create a search committee for a new president. Mr. Petrick thanked Susan for the University responding to all the Commission's questions.

Mr. Burlingame noted that bonds are expected to be issued before the end of the month. The bond documents have been prepared and presented to the Commission.

Dr. Krumm moved and Mr. Wells seconded the motion that Resolution No. 2006-23 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, Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2006-23 adopted.

Resolution No. 2006-23 is as follows:

CASE WESTERN RESERVE UNIVERSITY

Mr. Needles called on Hossein Sadid, Chief Financial and Administrative Officer of Case Western Reserve University, to discuss the University's proposed refinancings. Mr. Sadid introduced Mr. Ted Ricci of Public Financial Management, the University's financial adviser. Mr. Sadid thanked the Commission for its support of the University and in reference to the hand-out provided to the Commission members, emphasized the University's current goals of supporting its academic initiatives and leveraging its endowment, with further continued focus on optimal maintenance of its physical abilities. Mr. Sadid stated that the University has a comfortable debt position with approximately $620 million of outstanding indebtedness and that Moody's has affirmed the school's bonds rating. Mr. Sadid noted that the University has assets in excess of $2.9 billion, approximately 48% of which represents investments. Most of the University's other assets are in its physical facilities. The University has liabilities in excess of $800 million, 70% of which represents bond and note related debt. The University has net assets of over $2 billion, over half of which are unrestricted. For the year ended June 30, 2006, the University had total revenues in excess of $700 million, primary sources of which were research grants and contracts and tuition. Mr. Sadid further noted that the current budget deficit is intentional, and is furtherance of the University's long-term investment in high quality faculty and student life facilities.

Mr. Ricci then spoke to the Commission members regarding the details of the proposed refinancing transaction. Currently, the University is considering the refinance of Commission bonds issued for the benefit of the University in 1988, 1990, 1997, 2002 and 2004. The convergence of lower bond interest rates and increased rates for government securities has made refunding transactions possible for the University, and its financial advisors will be monitoring the market to determine which specific bonds are most advantageous to refinance. In refinancing the bonds, the University expects to achieve both or a combination of interest savings and the extension of bond maturities where possible. The proposed bond issue will be a fixed rate bond issue and, based on available savings, may or may not be subject to optional redemption. The University also is evaluating whether a portion of the bonds may bear interest at rates tied to the Consumer Price Index, as well as whether any swap or other derivative agreement in connection with the issue are advisable. Mr. Ricci finally noted that the proposed schedule called for a closing of the bond issue in late November or early to mid December of this year.

In response to a question from Dr. Krumm, Mr. Sadid indicated the final board approval for the issue is expected within the coming week and will authorize the University to refinance up to $175 million of Commission bonds. Mr. Sadid further indicated that the Chair of the University's finance committee has been very involved in the evaluation of the proposed bond issue. In response to a question from Mr. Cosey, Mr. Sadid confirmed that the current budget deficit of the University is intended and is part of five-year plan to invest in faculty and school facilities. The fiscal year ended June 30, 2006 was the third year of this plan. In response to a question from Mr. Petrick, Mr. Sadid confirmed that part of the overall five-year plan included increased enrollment. The plan initially called for an increased freshmen class size of 900; the past incoming freshmen class was over 1,000. In tandem with investing in increased enrollment, the school is also investing in its "Sage" program, which provides mentoring for undergraduate students. In response to a question from Ms. Carter, Mr. Sadid indicated that, with the University's recent tuition increases, student quality has remained high, as evidenced by improved SAT scores for the incoming freshmen. Mr. Sadid further stated that whether gifts are restricted or unrestricted, typically depends on the desires of each individual donor. In response to questions from Dr. Krumm, Mr. Sadid stated that the University is not concerned with pricing itself out of the market. Tuition increases are the subject of frequent evaluation by the University. Tuition rates are under constant review and in line of those of the University's peers. In response to a question from Mr. Cosey, Mr. Sadid confirmed that Case students come from all over the country, and all over the world, although 53% of the students are from Ohio and neighboring states. In response to a question from Mr. Needles, Mr. Sadid stated that over the past ten years, the University's bond indebtedness has increased as a result of significant Commission bond issues in 2002 and 2004. The University's endowment is at approximately $1.6 billion.

As a refunding issue only, the bond issue may be approved at a single meeting. Mr. Burlingame noted that bonds are expected to be issued before the end of the year. The bond documents have been prepared and presented to the Commission.

Dr. Krumm moved and Mr. Wells seconded the motion that Resolution No. 2006-24 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, Needles, Petrick, Wells

Nay: None

Abstain: Kutina

The Chairman declared the motion passed and Resolution No. 2006-24 adopted.

Resolution No. 2006-24 is as follows:

DENISON UNIVERSITY

The Chairman next called on Seth Patton, Vice President for Finance and Management of Denison University, to discuss the University's request for financing. Mr. Patton introduced Michael Horst, the University's Director of Investments. Mr. Patton expressed the University's appreciation to the Commission for the opportunity to pursue project financing on a timely basis. In describing the proposed project, Mr. Patton advised that the proposed project had several components and was consistent with the University's on-going commitment to reinvest in its facilities to meet continuing needs. The project includes the renovation of Cleveland Hall, originally constructed in 1904. In the last 100 years, the building has undergone only one major renovation. The financing of the improvements to Cleveland Hall will include updated HVAC systems and facilities for Americans with Disabilities Act compliance. The building will also be given a new facade. The portion of the project costs associated with the Cleveland Hall improvements is approximately $13 million. As described in the University's application to the Commission, approximately $4 million of the project costs represent costs of renovating the campus-wide heating system with the remaining project costs providing for the University's capital improvement needs over the next three years. Financial analysis by the University's financial staff shows that the University can take on the additional debt without burdening the University or its students with significant tuition increases that are not otherwise planned. The University's endowment is currently in excess of $500 million, most of which is unrestricted "quasi" endowment.

In response to questions from Dr. Krumm, Mr. Patton confirmed that just over $41 million worth of financing is requested for the new projects, although the University is considering whether to refinance up to $50 million of bonds issued by the Commission in 2001. Enrollment is currently at 2,100 and was as high as 2,200 in 2005. Ideally, the University would like that figure to be at about 2,060. Mr. Patton further confirmed that the University's retention rate remains good and is in line with its expectations. The bond issue will have a short-term impact on tuition increases, which the University is modeling at 5% to 6% per year. Dr. Krumm commented that he appreciated the per student cost breakdown in the University's application. In response to questions from Dr. Kutina, Mr. Patton indicated that an outside engineering firm has confirmed that improvements to the University's heating and other systems should result in savings near or even in excess of the amount necessary to cover the debt associated with the improvements. Improvements to the school's heating and other systems will also provide for cleaner emissions. With regard to the University's endowment, the University plans on annually spending 5% of its market value, measured over the proceeding 12 quarters. In response to a question from Mr. Cosey, the mechanics of the refunding portion of the issue, which would be an advance refunding, were discussed.

Mr. Burlingame noted that the resolution for consideration approves the preliminary agreement, which is in its usual form.

Mr. Wells moved and Mr. Cosey seconded the motion that Resolution No. 2006-25 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, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2006-25 adopted.

Resolution No. 2006-25 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on November 15, 2006, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

____

Secretary