

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

July 16, 2014

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, July 16, 2014, at 11:00 a.m. on the 19th Floor, Room 1932, of the Riffe Center, Columbus Ohio, written notice of which had been given to all members of the Commission.

The following members attended: Thomas Needles, Chair; Kenneth Kutina, Secretary; Wanda Carter; John Martin; James Shindler; John Wells; and Jennifer Carson, as designee of the chancellor of the Board of Regents for this meeting. Absent from the meeting were: James Wilson and Susan Tate. Also present was a representative of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Patton Boggs (US) LLP, Bond Counsel to the Commission.

The meeting was called to order by the Chair. Upon call of the roll, the Secretary 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 Chair noted that the minutes of the Commission meeting of June 18, 2014 were sent to each member prior to this meeting; those minutes are also included in the meeting books for each member. Upon a motion by Mr. Wells that was seconded by Dr. Kutina, all Commission members present approved the minutes of that meeting.

CLEVELAND CLINIC FOUNDATION

The Chair next called upon Anthony Helton, Administrator – Division of Finance, to speak to the Commission members regarding the Cleveland Clinic Foundation's financing request. Mr. Helton noted that the Clinic's finance structure includes debt issuance approximately every other year. The Clinic's current plan of financing includes the potential for the issuance of so-called "Century Bonds," which could mature as long as 100 years from now. The Century Bonds, which the Clinic has been discussing the Barclay's Capital, would be issued as taxable debt with a current anticipated pricing in September. The Clinic is evaluating its options, including the extent of bonds issued as taxable debt, and whether portions of the bonds would be issued through the Commission or directly by the Clinic. When the Clinic comes to the Commission for final approval of the proposed financing, it will have a better sense as to what extent the issuance will include taxable or tax-exempt debt. The Clinic has been consulting with the rating agencies regarding its debt structure, including the possibility of a Century Bond. A smaller portion of the proposed financing is the issuance of debt through a commercial paper program.

The Clinic is seeking preliminary approval in connection with the financing of various projects. The proposed projects include facilities as part of its proposed medical education campus. Bond proceeds may also be used to finance a new outpatient cancer facility scheduled to be completed in spring of 2017. The cancer facility would include facilities for radiology and oncology. Other projects include improvements to the Family Maternity Center at Hillcrest Hospital, the expansion and improvement of facilities at Fairview Hospital, and also at the Avon Family Health Center in Lorain County.

Mr. Helton noted that the Clinic endeavors not to finance its facilities totally with bond proceeds. They are generally financed with a combination of debt and equity. Taking into account swap agreements, the vast maturity of the Clinic's debt bears interest at fixed rates. Approximately \$500 million of project costs will be financed. The plan of finance includes further refining the debt structure and the Clinic expects to return to the Commission for final approval at its August meeting. The marketing of the proposed bonds may include so-called "road shows" in London and possibly in the Middle East. Buyers of Century Bonds include insurers and pension plans. Mr. Helton then inquired of the Commission members as to whether they had any questions.

In response to a question from Dr. Kutina, Mr. Helton noted that in preparing for final approval, the Clinic will be pursuing a dual path in document preparation, likely creating documents that contemplate both taxable and tax-exempt financings. In the current interest rate environment, the taxable portion of the debt would bear interest at rates that are relatively close to tax-exempt rates. Part of the rationale for the proposed Century Bonds is that there is not a large difference between the interest rate for debt that matures in 30 years as compared to debt that matures much later in time. If the Clinic does pursue Century Bonds, it would need internal discipline to provide for the amortization and the ultimate payment of the principal portion of the debt. The new cancer building will be constructed near the site of the old Segelin's Florist (flower shop) on Carnegie Avenue. In response to a question by Mr. Martin, Mr. Helton noted that proposed Century Bonds, which would be taxable debt, would likely feature a make-whole redemption feature common for taxable financings. Responding to a further question from Dr.

Kutina, Mr. Helton confirmed that the Clinic has approximately \$900 million to \$1 billion in project costs, but only a portion of that would be financed by bonds or commercial paper.

Responding to a question from Mrs. Carter, Mr. Helton noted that the proposed marketing road show may include a trip to the United Arab Emirates, where the Clinic has existing relationships. Investors in Century Bonds are not only concerned about the Clinic's current financial statistics but also want to learn more about the Clinic generally, including its succession planning. Other road show locations may include London, Chicago, Philadelphia and New York. Responding to questions from Mr. Needles, Mr. Helton confirmed that with the Clinic's strong credit rating and brand, the Century Bonds should be very marketable; however, it is still evaluating a plan of finance and the extent to which the proposed debt will include Century Bonds and whether the Century Bonds would be issued through the Commission are yet to be determined. Institutions that have already issued Century Bonds include Ohio State University and MIT. While interest rates are in a good place right now, Mr. Helton noted that the Clinic does not want to rush into the market. It does not expect any sudden changes in the interest rate environment. Responding to an additional question from Dr. Kutina, Mr. Helton confirmed that the Clinic owns all of its facilities with an exception of Lakewood Hospital, which is leased from the City. The Clinic also maintains facilities in Las Vegas and maintains a consulting relationship in the United Arab Emirates. Mr. Helton noted that the details of the structure of its relationship with Case Western Reserve University Medical School are still being worked on. In total, the Clinic maintains ten hospitals, all of which are owned by the Cleveland Clinic Foundation. In response to a further question from Mr. Needles, Mr. Helton noted that he sees potential for the further use of relationships of the type the Clinic maintains in the United Arab Emirates, where it provides cooperation and support but has stopped short of a direct M&A transaction or acquisition or ownership.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with the Cleveland Clinic Foundation. That agreement and related resolution preliminarily approve the financing transaction and are in their usual form.

Mr. Wells moved and Mrs. Carter seconded the motion that Resolution No. 2014-06 be adopted.

Aye: Carson; Carter; Kutina; Martin; Needles; Shindler; Wells

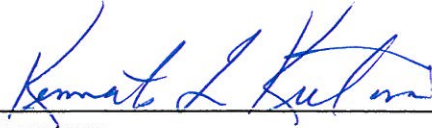
Nay: None

The Chair declared the motion passed and Resolution No. 2014-06 adopted.

Resolution No. 2014-06 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on August 20, 2014 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.



Secretary