OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

March 18, 2015

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, March 18, 2015, 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; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; John Martin; James Shindler; Susan Tate; and James Wilson. Absent from the meeting was: John Wells. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Board of Regents; Michelle Salomon, of Bank of America Merrill Lynch; 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 February 18, 2015 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 Dr. Kutina that was seconded by Mrs. Carter, all Commission members present approved the minutes of that meeting.

CEDARVILLE UNIVERSITY

The Chair called upon Christopher Sohn, Vice President for Business and CFO, to update the Commission members regarding Cedarville University's financing request. Mr. Sohn was joined by Phil Grafton, Assistant Vice President for Finance. Mr. Sohn thanked the Commission members, stating the University's plan of finance and project remains unchanged from its presentation to the Commission last month. The proposed bond issue is for the financing of a new student townhouse, as well as for the refinancing of 2006 and 2011 debt. The University anticipates a fixed-interest rate of approximately 2.19% over the approximate six-year life of the bonds. The closing for the bond issue is expected to take place at the end March. Mr. Sohn then inquired of the Commission members as to whether they had any questions. In response to a question from Mr. Needles, Mr. Sohn noted that the University is very pleased with its expected interest rate on the bonds.

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the issuance of the bonds and related documents.

Mr. Martin moved and Ms. Tate seconded the motion that Resolution No. 2015-06 be adopted.

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

Aye: Cannon; Kutina; Martin; Needles; Shindler; Tate; Wilson

Nay: None

Abstain: Carter

The Chair declared the motion passed and Resolution No. 2015-06 adopted.

Resolution No. 2015-06 is as follows:

KENYON COLLEGE

The Chair next called upon Joseph Nelson, Vice President for Finance, to speak to the Commission members regarding Kenyon College's financing request. Mr. Nelson was joined by Todd Burson, Assistant Vice President for Finance. Mr. Nelson noted that over the years, the Commission has assisted with approximately $200 million of projects at the College. Mr. Needles complimented Messrs. Nelson and Burson on the quality of the College's application and promotional materials. Mr. Burson noted that the College is seeking approval for the refinancing of its 2006 bonds issued through the Commission. The 2006 bonds were issued to finance new projects at the College, as well as to advance refund a small portion of a 2002 bond issue. Depending on market conditions, the proposed bonds may be issued as either taxable or tax-exempt obligations. Mr. Burson then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Nelson noted that the College's so-called 3-2 Program, which combines programs from both liberal arts and engineering, is not very popular with students. Mr. Nelson thinks there may be as few as 2 students currently participating in the program. Mr. Nelson further noted that the College considers carefully the amount of its outstanding debt in relation to the size of its endowment; however, this is only one consideration. The College looks at the overall strength of its balance sheet and is in frequent communication with the rating agencies. The College currently enjoys "A" category ratings from both Moody's and S&P. In response to questions from Mr. Wilson, Mr. Nelson noted that for every dollar of restricted gifts the College receives, an additional dollar is freed-up to be used for other budgetary purposes. The College's discount rate is approximately 35%. S&P's current rating for the College was issued this past December and Moody's was issued just a few weeks ago. In response to a question from Ms. Tate, Mr. Nelson noted that the College has moved passed difficulties associated with alternative investments and the global economic downturn several years ago. The College's former auditors had expressed some discomfort in the level of alternative investments and exposure to hedge funds. With explanation and understanding, the College's current auditors do not have the same concerns. The major rating agencies did not have the same difficulties with the College's alternative investment holdings. In fact, they viewed them as having some benefit, being a part of the College's diversified investment strategy. At that time, the College obtained a rating upgrade.

Responding to questions from Mrs. Carter and Mr. Needles, Mr. Nelson noted that since 1998, College tuition has gone up approximately 3.5% per year each year. In determining tuition rates, the College considers tuition rates of peer institutions and how much a tuition increase would cause the College's position within that group to shift. The institutions within the College's peer group include Williams College, Denison University, The College of Wooster, Grinnell, Oberlin College and Dickinson. In respect of affordability, Mr. Nelson noted that just over half of the students at the College receive no financial aid. This results in the College being able to take money provided by those full-pay students and apply it toward financial aid for students with need. The College believes that of all students entering college in any given year, approximately 3% are interested in an institution like the College. If there is resistance to tuition charged by institutions of higher education, Mr. Nelson believes it most likely will come from the bottom-up; that is, institutions that already have lower cost structures would be more likely to feel the pressure. The admissions process does consider ability to pay.

If a student is accepted to the College, financial aid will be provided to those with need. A priority at the College is to increase the size of its endowment in order to provide more funds for financial aid. Mr. Burson referenced affordability issues for the middle class. Many are not able to pay for the full price of college while at the same time not being able to obtain necessary levels of financial aid. In respect of the State's public institutions of higher education, Mr. Cannon noted that while costs have gone up at the larger four-year institutions, it is the smaller universities that have experienced enrollment decline.

In response to a further question from Dr. Kutina, Mr. Nelson noted that the College has not seriously considered graduate-level programs. It is focused on its core four-year undergraduate education. The all-in annual cost for a student is approximately $62,000. Responding to a further question from Mrs. Carter, Mr. Nelson noted that approximately 5% to 10% of the student body comes from outside of the United States, with Mr. Burson further noting that some but not all of those students receive no financial aid.

Responding to a further question from Mr. Cannon, Ms. Salomon noted that the proposed bond is expected to have a final maturity of just over 25 years. This would not be possible in a private placement transaction in which banks are typically unwilling to extend credit beyond ten years. The College is able to undertake a long-term public offering as a result of its "A" category rating from the major rating agencies.

Mr. Burlingame stated that the bond documents have been prepared and are presented in substantially final form. The resolution under consideration approves the issuance of the bonds and related documents.

Mrs. Carter moved and Mr. Shindler seconded the motion that Resolution No. 2015-07 be adopted.

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

Aye: Cannon; Carter; Kutina; Martin; Needles; Shindler; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2015-07 adopted.

Resolution No. 2015-07 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on April 15, 2015 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

Kenneth L Kuttner

Secretary