OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

May 20, 2009

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, May 20, 2009, at 11:00 a.m. on the 36th Floor of the Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, written notice of which had been given to all members of the Commission.

The following members attended: John R. Wells, Chairman; Kenneth Kutina, Secretary; Lynnda Davis; Sam Speck; and Susan Tate. Absent from the meeting were: Richard Petrick, Vice Chairman; Wanda Carter; Tom Needles; and James Shindler. Also present were: representatives of the institutions appearing before the Commission; Joyce Antoncic of The Bank of New York Mellon Trust Company; Thomas Whitman of The Whitman Group LLC; and Francis Barry Keefe and Alexander G. Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission.

The meeting was called to order by the Chairman. 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 Chairman noted that the minutes of the Commission meeting of March 18, 2009, were sent to each member prior to this meeting; a copy of those minutes is also included in the meeting notebooks for each member. The Commission members present unanimously approved the minutes of that meeting. There was no April meeting of the Commission.

COLLEGE OF MOUNT ST. JOSEPH

The Chairman next called on Anne Marie Wagner, Chief Financial Officer, to speak regarding the College of Mount St. Joseph's financing request. Joining Ms. Wagner was Jeff Briggs, College Controller. Ms. Wagner thanked the Commission members, noting that the College is requesting approval for a refinancing of its two outstanding bond issues. Both of those bond issues are variable rate transactions secured by Fifth Third Bank Letters of Credit, one of which was issued through the Commission's pooled financing program. Through this refinancing transaction, the College anticipates that there will be some initial cost savings, but it also is seeking to achieve improved stability in its debt structure given the severe market volatility over the last several months. It is expected that the proposed transaction will involve a direct purchase of the bonds by U.S. Bank National Association, and that the bonds will be "bank qualified" bonds authorized by the recent federal stimulus legislation. Ms. Wagner further noted that all the projects financed by the prior bond issues were completed as planned. The College remains cautiously optimistic about future enrollment trends; applications to date are ahead of last year and the prior year, which had record enrollment. But the College will wait until classes start to have a sure sense of whether fall enrollment goals are met. The College's finances are stable; it will finish the fiscal year with a positive balance. As of April, the College's investments were down approximately 20%. The College is excited about implementing the vision of its new president, Tony Aritz, notably including his new leadership initiative. Ms. Wagner then inquired of the Commission members as to whether they had any questions.

In response to questions from Mr. Speck and Ms. Tate, Ms. Wagner confirmed that endowment spending is at 5% of average endowment value over a 20-quarter period. Endowment revenue represents only 2% to 2-1/2% of the College's operating budget. Total College enrollment is approximately 2,100 students, which is comprised of traditional undergraduate students, nontraditional part-time and night students and graduate-level students. In response to questions from Dr. Kutina, Ms. Wagner stated the biggest challenge to the College is how it addresses the expected demographic downturn of prospective students. This is a peak year in Ohio for the number of high school graduates, and the College appreciates that in the coming years there will be greater competition for a smaller pool of students. The College continues to look for ways to make it stand out from others. The College successes in this regard include its Masters in Nursing Program, which has nearly doubled in size in recent years, and its Doctor of Physical Therapy Program. Ms. Wagner noted that during her time with the College she has observed that students appear much less prepared for college than they had in prior years. More time is spent working with traditional students on remedial subjects. Ms. Wagner views the College's greatest strength as its continued focus on its community of people, its commitment to mission and its sponsoring order.

In response to a question from Ms. Davis, Ms. Wagner noted that in the next two to three years, in consideration of the smaller pool of prospective traditional students, the College's recruitment efforts will be particularly focused on nontraditional and graduate students. One approach to recruiting is to provide college courses to high school students so that they can complete college in three years. Responding to a question from Mr. Speck, Ms. Wagner noted that she could not identify a single reason why high school students today are not as well-prepared for college. She suspects that contributing factors include changing demographics and the strength of current high school curriculums and standards. Responding to questions from Dr. Kutina and Mr. Wells, Ms. Wagner confirmed that the primary motivation for the proposed refinancing transaction is to gain stability for the College's debt structure. Interest rates on the College's existing variable rate bonds have fluctuated significantly over the last several months. Also, Letters of Credit securing those bonds are scheduled to expire over the course of the next several months, and it is not clear upon what terms those Letters would be extended but it is expected that they will be more expensive. The College's athletic facilities financed by the prior bonds have been a success. Student-athlete enrollment has increased as a result. The College now participates in NCAA Division III athletics and is now able to offer programs such as lacrosse, soccer and track and field.

Mr. Keefe commented that Mr. Burlingame has prepared the bond documents and they are presented in substantially final form. They provide for the direct placement of the bonds with either or a combination of U.S. Bank National Association and Fifth Third Bank. The resolution under consideration authorizes the bond issue and approves the related bond documents.

Dr. Kutina moved and Mr. Speck seconded the motion that Resolution No. 2009-06 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: Davis, Kutina, Speck, Tate, Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2009-06 adopted.

Resolution No. 2009-06 is as follows:

OTHER BUSINESS

The Chairman then asked Mr. Keefe and Mr. Burlingame to proceed with the "informational" portion of the meeting. Mr. Keefe began the session with a review of the Commission's history. The Commission was created by an act of the legislature in 1968, following the trend (that started in eastern states; notably Connecticut and Massachusetts) to create authorities that could issue bonds for private, nonprofit colleges and universities. By creating the Commission, the State had created an agency that was able to issue bonds the interest on which would be tax-exempt for State and federal income tax purposes. Mr. Keefe continued to review the early history of the Commission noting that for a four-year period in the mid-70s, the agency was inactive and was reconstituted with new gubernatorial appointments in 1978. In response to related questions from Ms. Tate, Ms. Davis and Mr. Speck, Mr. Keefe confirmed that these bonds issued by the Commission are special obligations of the State of Ohio. The State is only obligated to pay debt service on the bonds to the extent it receives payments from the college or university or hospital for which the bonds were issued. There are no taxes or other State revenues pledged to the payment of these bonds. The Commission has no legal authority to levy taxes for the payment of bonds. The rationale for this comes from the "lending aid and credit" provisions of the State Constitution, which generally prohibit the State or any of its agencies from lending its credit to, or participating in a joint venture with, any private corporation, such as a private college or university. Mr. Burlingame commented that this is an older concept in Ohio state law, with roots dating back to the numerous bond defaults of the 19th century relating to failed railroad projects.

Mr. Keefe continued his review of Commission history from the 1980s to the present, and responded to a question from Ms. Davis regarding the selection of bond underwriters. Mr. Keefe noted that the subject has been discussed from time to time over the years, and that it consistently has been the policy of the Commission not to dictate which banks and underwriting firms participate in a financing. The selection is made by the university or college that is requesting a bond issue. Although there have been times when this policy has not been well received by local underwriting firms, it has been well received by the institutions that pursue financings through the Commission. Mr. Burlingame and Mr. Keefe concluded by describing the contents of the various materials that were distributed to the Commission members at the meeting. Mr. Burlingame noted that at the Commission's next meeting there will be a review of the financing process, from submission of an application letter to issuance of bonds and beyond.

CALL OF NEXT MEETING AND ADJOURNMENT

If necessary, the Commission will next meet on June 17, 2009, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

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Secretary