

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

December 15, 2010

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, December 15, 2010, 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; Richard Petrick, Vice Chairman; Kenneth Kutina, Secretary; Wanda Carter; Lynnnda Davis; Thomas Needles; James Shindler; and Susan Tate. Also present were representatives of the institutions appearing before the Commission; William Elliott of PNC Capital Markets; Joyce Antoncic of The Bank of New York Mellon Trust Company, N.A.; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame and Francis Barry Keefe 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 Commission members welcomed Ben Christensen of the Board of Regents. He is the new Commission Administrator.

The Chairman noted that the minutes of the Commission meeting of November 17, 2010, 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.

FRANKLIN UNIVERSITY

The Chairman next called on Marvin Briskey, Chief Financial Officer, to update the Commission members regarding Franklin University's financing request. Joining Mr. Briskey was Steve Felten, University Director of Accounting. Mr. Briskey noted that the University has overall enrollment in excess of 11,000 students. The University received Preliminary Approval at the Commission's November meeting. Mr. Briskey confirmed that the financing is primarily for improvements to Fresch Hall, campus elevator and HVAC improvements and upgrades and the refinancing the University's participation in the 2007 pooled financing program.

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

Mr. Shindler moved and Mr. Petrick seconded the motion that Resolution No. 2010-21 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; Needles; Petrick; Shindler; Tate; Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2010-21 adopted.

Resolution No. 2010-21 is as follows:

MOUNT VERNON NAZARENE UNIVERSITY

The Chairman next called on Jeffrey Spear, Vice President Finance and Treasurer, to update the Commission members regarding Mount Vernon Nazarene University's financing request. The University received preliminary approval at the Commission's November meeting. Joining Mr. Spear was Alan Shaffer from the University's Finance Department. Mr. Spear confirmed that the financing will provide for the acquisition and remodeling of a former public school building in Newark, Ohio, for use by the University. Mr. Spear then inquired of the Commission members as to whether they had any questions.

Responding to a question from Dr. Kutina, Mr. Spear confirmed that the facility will be used for graduate programs and other expanded University offerings.

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

Mr. Needles moved and Ms. Tate seconded the motion that Resolution No. 2010-22 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; Davis; Kutina; Needles; Petrick; Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-22 adopted.

Resolution No. 2010-22 is as follows:

MARIETTA COLLEGE

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Marietta College financing. Notice of the hearing was published in the *Columbus Dispatch* and *The Marietta Times* on December 1, 2010. The Chairman inquired as to whether there were any comments. No comments having been made and the Commission having received none in the mail or otherwise prior to the hearing, the Chairman closed the public hearing.

Financing Approval

The Chairman next called upon Daniel C. Bryant, Vice President for Administration and Finance, to update the Commission members regarding Marietta College's project and the bond financing. The College received preliminary financing approval at the Commission's September meeting. Mr. Bryant confirmed that the College is seeking approval for an approximately \$24.5 million financing to construct a new residence facility. The proposed bonds will bear interest at fixed interest rates over a 25-year period. The College has obtained all other approvals for the bond issuance, including the approval of JPMorgan Chase Bank for the additional debt represented by the bonds. Mr. Bryant confirmed that the College's financial modeling for the project remains favorable. The College also has completed its investigation with respect to a proposed financing of the residence facility through a private developer. Most developers expressed that they were not interested in the project because of its size. Because of this, and the College's reluctance to give up control of the facility to a developer, it has chosen to pursue a traditional financing through the Commission. Mr. Bryant then inquired of the Commission members as to whether they had any questions.

In response to questions from Ms. Tate and Mr. Needles, Mr. Bryant confirmed that the proposed bond issue will not include any refinancing and that the proposed residence hall is scheduled to open in time for the 2012-13 academic year. Groundbreaking is scheduled for March of 2011. Responding to questions from Dr. Kutina and Mrs. Davis, Mr. Bryant noted that the new College entrance way is on the opposite side of the campus from the proposed residence hall. College trustees requested that project construction include minority contractors. The College is developing a model for the construction process, and expects to place the responsibility of the inclusion of the minority contractors on its general contractor. The new residence hall will be built to LEED standards; however, the College does not expect to seek a LEED certification. Mr. Bryant confirmed that the project should pay for itself through the fees paid by students living in the new residence hall. International recruitment continues to perform well with international students from China, Korea and the Middle East. The increase in Middle Eastern students is largely attributable to the strength of the College's petroleum engineering program. The College is typically able to achieve lower discount rates with its international students.

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

Mr. Needles moved and Dr. Kutina seconded the motion that Resolution No. 2010-23 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: Davis; Kutina; Needles; Petrick; Shindler; Tate; Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2010-23 adopted.

Resolution No. 2010-23 is as follows:

SISTERS OF CHARITY HEALTH SYSTEM

Public Hearing

The Chairman opened the public hearing required by applicable federal tax regulations for the proposed Sisters of Charity Health System financing. Notice of the hearing was published in the *Columbus Dispatch* and the *Canton Repository* on December 1, 2010. The Chairman inquired as to whether there were any comments. No comments having been made and the Commission having received none in the mail or otherwise prior to the hearing, the Chairman closed the public hearing.

Financing Approval

The Chairman next called upon Patrick McMahon, Chief Financial Officer of Sisters of Charity Health System, to update the Commission members regarding the Health System's request. Joining Mr. McMahon were Melissa Rogers, Director of Finance of Sisters of Charity Health System, and Michael Rieger, Chief Financial Officer of Mercy Medical Center in Canton, Ohio.

The Health System received preliminary financing approval at the Commission's October meeting. Mr. McMahon confirmed that the proposed financing includes approximately \$35 million for the refinancing of fixed-rate bonds issued in 2000 for the Health System. Those bonds currently bear interest at an average fixed-rate of 7.5%. In the current environment, the Health System expects that it can achieve approximately \$1 million per year in savings. The proposed financing may also include the refinancing of variable-rate bonds issued for the Health System in 2000. Whether these bonds are ultimately refinanced will depend on the interest rate environment and other conditions. Interest rates have risen noticeably since the Health System was last at the Commission in October. The proposed improvements, including emergency room improvements to Canton Mercy Medical Center, are included within the resolution being considered by Commission members; however, barring a change in the interest rate environment, the Health System does not expect to proceed with the financing for these projects until sometime later in 2011 or the first part of 2012. Mr. McMahon then inquired of the Commission members as to whether they had any questions.

Responding to questions from Dr. Kutina, Mr. McMahon confirmed that fixed interest rates have increased approximately one-half percent since the Health System was last before the Commission at its October meeting. The bond issue will be underwritten and offered to both institutional and retail investors. The Health System is hoping for an "A"-level rating from the various rating agencies and already has met with Standard & Poor's and Moody's, and will be meeting with Fitch Rating Services.

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

Mrs. Carter moved and Mr. Petrick seconded the motion that Resolution No. 2010-24 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; Davis; Kutina; Petrick; Shindler; Tate; Wells

Nay: None

Abstain: Needles

The Chairman declared the motion passed and Resolution No. 2010-24 adopted.

Resolution No. 2010-24 is as follows:

HIRAM COLLEGE

The Chairman next called upon Thomas Chema, President, to speak to the Commission members regarding Hiram College's financing request. Joining Mr. Chema was Stephen Jones, Chief Financial Officer of the College. Mr. Chema thanked the Commission members, noting that the Commission provides a very helpful and efficient means of providing cost-effective financing. The proposed financing for the College includes the refinancing of its participation in the 2007 Pooled Financing Program, as well as the refinancing of a bank loan provided to fund the construction of College townhomes. A small portion of the bond issue will be used to finance improvements at the College's Black Box Theater. Mr. Chema continued by noting that College enrollment has improved since he last met with Commission members in 2007. Currently, enrollment includes 1,150 undergraduate students and approximately 250 weekend and night students. There is a small number of master's-level students. The College maintains a balanced budget and expects a small budget surplus going forward. In the coming years, the College looks to increase undergraduate enrollment to 1,300 students. The College has recently renewed its accreditation with the Higher Learning Commission and will be graduating its first nursing class this coming June. Mr. Chema then inquired of the Commission members as to whether they had any questions.

Responding to questions from Dr. Kutina, Mr. Chema attributed the College's enrollment growth to the hard work of its admissions and development staff, as well as to the implementation of better recruitment strategies. Recruiting emphasis is now more focused on students who desire a traditional four-year liberal arts education. While most students do come from Ohio, there are College students from 33 different states and over 20 foreign countries. The College's new nursing program continues to be popular, with enrollment of approximately 120 students. The College has also increased emphasis on its accounting and entrepreneurship programs. With regard to student residence, 90% of undergraduates live on campus with most of the remaining 10% commuting from homes in the Northeast Ohio area. The College's current housing can accommodate up to 1,250 students. Beyond that, additional townhomes or other student residence facilities would have to be built.

Responding to questions from Mr. Shindler and Mr. Needles, Mr. Chema continued by noting that the College has not experienced problems in collecting pledges. It has, however, experienced increased difficulty in obtaining larger-sized gifts. The seating capacity of the Black Box Theater is approximately 100 depending on its configuration. It can accommodate a maximum of 125 people. The Theater will be situated in a former industrial building and can be designed as a theater in the round or with a more traditional configuration. The College will continue to use its existing auditorium for larger productions.

Responding to questions from Mr. Petrick and Mrs. Davis, Mr. Chema continued by noting that the proposed refinancing will initially save the College approximately \$1.1 million a year. The College's accounting program had previously been referred to as the management and finance program.

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

Mr. Needles moved and Mr. Shindler seconded the motion that Resolution No. 2010-25 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; Davis; Kutina; Needles; Petrick; Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-25 adopted.

Resolution No. 2010-25 is as follows:

CLEVELAND INSTITUTE OF MUSIC

The Chairman next called upon Eric Bauer, Chief Operating Officer, to speak to the Commission members regarding the Cleveland Institute of Music's financing request. Joining Mr. Bauer was Kristen Kollar, Controller. Mr. Bauer thanked the Commission members, noting that the Institute was requesting approval for the refinancing of variable rate bonds issued in favor of the Institute in 2005. Among other things, the 2005 Bonds financed improved distance-learning and library facilities, as well as a lobby and new recital hall. The 2005 Bonds bear interest at variable interest rates and are secured by a letter of credit provided by PNC Bank, National Association. The proposed refinancing will include a direct purchase of the bonds by PNC Bank, National Association and KeyBank National Association and is expected to close before the end of the calendar year. Mr. Bauer continued by describing one of the highlights of the 2005 bond issue, Mixon Recital Hall. This facility is world-renowned and has hosted performers from all over the world. The Institute continues to enjoy balanced budgets and enrollment of over 400 students. Given that the Institute's original building was designed for approximately 160 students, the 2005 bond issue provided for much needed additional space. The upgraded distance-learning center provides for remote instruction to undergraduate as well as K-12 students. Over 12,000 students have participated in the Institute's distance learning program. An economic impact study commissioned by the Institute indicated that the Institute provides \$90 million to \$125 million of annual economic impact to the State of Ohio. Mr. Bauer then inquired of the Commission members as to whether they had any questions.

Responding to a question from Ms. Tate, Ms. Kollar agreed that portions of the Institute's audit can be difficult to reconcile. This is in part attributable to how unrealized endowment losses are categorized within the audit. In this regard, Ms. Kollar also noted that approximately 30% of university investments are alternative investments. Both Ms. Kollar and Mr. Bauer confirmed, however, that the Institute has had and does have balanced operating budgets. Responding to questions from Mr. Needles, Mr. Bauer noted that the Institute competes with conservatories at Oberlin College and in Cincinnati. However, the Institute is distinctive in that it is an independent conservatory not affiliated with a larger college or university. The Institute is focused on performance and composition, with approximately 90% of graduates obtaining employment in the music field upon graduation. Some students do move into other fields. An example being Mr. Bauer, an Institute graduate, who is now its Chief Operating Officer. Thirty-eight graduates are now with the Cleveland Orchestra. Although the Institute is focused on training students in the areas of performance and composition, its new strategic plan calls for students to be prepared in other areas as well.

Responding to questions from Mrs. Davis and Dr. Kutina, Ms. Kollar noted that the bonds will likely bear interest at rates approximately ½% lower than the existing bonds. Mr. Keefe noted that he and Mr. Burlingame had seen the Institute's new facilities and he encouraged other Commission members to visit the Institute should they have the opportunity. Mr. Bauer confirmed that he would be happy to provide a tour to any Commission member who would like to see the new Mixon Recital Hall.

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

Mr. Petrick moved and Dr. Kutina seconded the motion that Resolution No. 2010-26 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; Davis; Kutina; Needles; Petrick; Shindler; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2010-26 adopted.

Resolution No. 2010-26 is as follows:

OTHER BUSINESS

The Chairman next recognized the Vice Chairman, Richard Petrick, for his thoughtful and dedicated service to the Commission for over ten years. Mr. Petrick has retired from the Board of Regents, and this was his last meeting as a Commission member. The Commission members thanked Mr. Petrick and offered their best wishes for his future endeavors. David Cummins, Mr. Petrick's successor at the Board of Regents, will become a Commission member effective January 1, 2011, as the designee of the Chancellor Mr. Wells then presented a resolution recognizing and thanking Mr. Petrick.

Mr. Wells moved and Dr. Kutina seconded the motion that Resolution No. 2010-27 recognizing Mr. Petrick 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; Davis; Kutina; Needles; Shindler; Tate; Wells

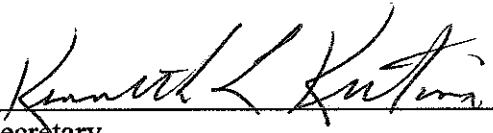
Nay: None

The Chairman declared the motion passed and Resolution No. 2010-27 adopted.

Resolution No. 2010-27 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on January 19, 2011, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.


Secretary