

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

**May 18, 2011**

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, May 18, 2011, at 11:00 a.m. on the 36<sup>th</sup> 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; Wanda Carter; Lynnda Davis; Katie Hensel; Thomas Needles; and Susan Tate. Also present were representatives of the institutions appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame and Francis Barry Keefe of Squire, Sanders & Dempsey (US) LLP, 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 welcomed Katie Hensel, Vice Chancellor of Finance and Data Management of the Board of Regents, to her first meeting as a Commission member. She is the designee of the Chancellor of the Board of Regents.

The Chairman noted that the minutes of the Commission meeting of January 19, 2011, 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 Mr. Needles, all Commission members present approved the minutes of that meeting.

## MARIETTA COLLEGE

The Chairman next called on Daniel C. Bryant, Vice President for Administration and Finance, to update the Commission members regarding Marietta College's financing request. Mr. Bryant thanked the Commission and extended greetings from President Jean Scott. President Scott will retire next June. Over the 11 years of her term, the Commission has issued approximately \$76 million of bonds for Marietta College financings. These projects have transformed the campus. Mr. Bryant expressed his and the President Scott's appreciation for the Commission's help in this effort.

Mr. Bryant reminded Commission members that the proposed project was put on hold in 2008, and was revived in 2010. Initially, the proposed residence hall financing was intended to be issued with traditional long-term fixed-rate structure. With recent increases of interest rates, however, the College is now pursuing a private placement transaction. The proposed financing is for a new residence hall facility, including a new student health center therein. The new residence hall will replace an aging residence hall and will result in a net 150-bed increase in housing capacity. Mr. Bryant then inquired of the Commission members as to whether they had any questions. (Exhibit A hereto, prepared by the College, further describes the project and its financing.)

Responding to a question from Ms. Tate, Mr. Bryant confirmed the proposed financing will include an initial 10-year fixed rate of interest provided by United Bank. After 10 years, the interest rate will adjust to a variable rate and/or the bank may exit the transaction at that time. In the latter event, the College would have to pay-off the bond or seek a refinancing transaction. Responding to questions from Dr. Kutina, Mr. Bryant noted that current undergraduate enrollment is at 1,400 students. The College plans to increase that number to 1,600. Overall growth will be achieved by increasing undergraduate retention, which already shows signs of improvement, increasing graduate level programs and other recruiting efforts. This past fall, 94 undergraduate students were required to live off campus due to lack of on-campus housing options. These are students that could live in the new residence facility. With regard to deposits for fall enrollment, the College is 50 students ahead of where it was this time last year. The College continues to enjoy a significant population of international students, especially students from China (approximately 150 students). Historically, the College's China initiative was based out of Beijing, but it is expanding to Mongolia and western China. The College's petroleum engineering program attracts students from Saudi Arabia. The College is working to more fully integrate international students into campus life.

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 Mrs. Davis seconded the motion that Resolution No. 2011-05 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; Hensel; Kutina; Needles; Tate; Wells

Nay: None

Abstain: Carter

The Chairman declared the motion passed and Resolution No. 2011-05 adopted.

Resolution No. 2011-05 is as follows:

## UNIVERSITY HOSPITALS

The Chairman next called upon Bradley Bond, Vice President – Treasury, to speak to the Commission members regarding University Hospitals Health System’s financing request. Joining Mr. Bond was Tricia Biers, Director – Treasury.

Mr. Bond thanked the Commission members for their support since the Health System first came to the Commission in 2007. He proceeded to update the Commission as to the status of the Health System’s Vision 2010 projects that have been the subject of prior financings (Exhibit B). The Ahuja Medical Center in Beachwood, Ohio opened earlier this year. It has its JCAHO accreditation and Medicare certifications. There have already been over 600 discharges at the Medical Center with nearly half of the 140 beds being open at this time. The Medical Center is being opened in a phased approach with the expectation that it will be at full capacity by the end of the year. Construction of the new Cancer Center is nearly complete and will open by July. Some Commission members may have seen the article in *The Plain Dealer* regarding proton technology that will be used in the hospital. The new Center for Emergency Medicine also is nearly complete. As discussed at prior meetings, the new Center will provide greatly improved access to the Health System’s emergency room facilities.

Mr. Bond continued by noting that the Health System remains financially strong. Revenues are currently up 9% over last year. The Health System continues to apply more conservative budget measures and with various projects being completed, it is no longer capitalizing interest expense. Moody’s Ratings Service recently affirmed the Health System’s A2 Rating with a Stable Outlook. Additional detail regarding the Health System’s financial statistics can be found within the Health System’s continuing disclosure filings. The Health System has increased focus on how it tracks patient volume and billings, with increased emphasis on how it distinguishes patient observations versus discharges.

With regard to the proposed financings, Mr. Bond noted that there is much less demand in the market for tax-exempt bonds. The Health System has looked at current marketing conditions and identified an opportunity to refinance bonds by purchasing them at a discount. In this process, the Health System would acquire certain bonds in the market with proceeds of interim refinancing indebtedness. The Health System would then proceed to refinance that debt on a tax-exempt basis through a Commission bond issue. The Health System is in the process of developing policies so as to insure that minimum savings thresholds are achieved when purchasing bonds. Based on today’s rates, the proposed program could result in approximately \$15 million of debt service savings over the life of the bonds. The Health System has engaged Merrill Lynch as its agent to assist with bond acquisitions. Mr. Bond then inquired of the Commission members as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Bond noted that while the bond market has rallied somewhat, Health System bonds are currently trading from 85 to 90 cents on the dollar. Although the Health System’s financing request contemplates tax-exempt financing of up to \$150 million, it may be hard to get to that level. In the purchase process, the Health System is seeking only to acquire fixed-rate bonds. The Health System has recently reduced the amount of variable rate debt, having recently paid down all bonds associated with its Heather Hill facility. Responding to a question from Mrs. Davis and Ms. Tate, Mr. Bond noted that an alternative structure for the refinanced fixed-rate bonds would be through the use of a derivative (swap) transaction, although this is less desirable. The Health System is being opportunistic in pursuing this refinancing, only moving forward when cost benefits warrant. It is seeking preliminary approval as this refinancing structure is somewhat different from what the Commission has approved on prior occasions. The Health System may choose not to pursue the refinancing if market conditions are not favorable.

Mr. Burlingame stated that the resolution approves the Preliminary Agreement with the Health System. That agreement and related resolution preliminarily approve the refinancing transaction and are in their usual form.

Mrs. Carter moved and Mr. Needles seconded the motion that Resolution No. 2011-06 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: Carter; Davis; Hensel; Kutina; Needles; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2011-06 adopted.

Resolution No. 2011-06 is as follows:

## OTHER BUSINESS

### Malone University

The Chairman next opened the discussion of the proposed resolution for Malone University. Mr. Burlingame commented that the University is seeking to replace a letter of credit securing certain of its 2007 Bonds. It is the only institution remaining in the Series 2007B pooled financing bond issue. The resolution under consideration approves the taking of actions and the signing of documents necessary to replace a letter of credit provided by The Huntington Bank with one from FirstMerit Bank. The resolution also approves a change of remarketing agent.

Ms. Tate moved and Mr. Needles seconded the motion that Resolution No. 2011-07 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; Hensel; Kutina; Needles; Tate; Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2011-07 adopted.

Resolution No. 2011-07 is as follows:

**CALL OF NEXT MEETING AND ADJOURNMENT**

It is now expected that the Commission will next meet on June 15, 2011, if necessary, or upon the call of the Chairman. On a motion duly made and seconded, the meeting was adjourned.

  
Secretary