

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

September 18, 2012

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, September 18, 2012, 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: Thomas Needles, Chair; David Cannon, Vice Chair; Kenneth Kutina, Secretary; Wanda Carter; Lynnda Davis; James Shindler; and John Wells. Susan Tate and James Wilson were absent. Also present were representatives of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; and Alexander G. Burlingame of Squire Sanders (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 August 15, 2012, 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.

UNIVERSITY OF DAYTON

The Chair next called upon Thomas Burkhardt, Vice President of Finance and Administrative Services, to speak to the Commission members regarding the University of Dayton's financing request. Mr. Burkhardt was joined by Phil Chick, Assistant Vice President and Treasurer. Mr. Burkhardt brought greetings from the University's President, Dr. Daniel J. Curran. Mr. Burkhardt noted that he has now been with the University for 20 years. The University of Dayton is the largest private University in Ohio, having been founded in 1850 and with a current enrollment of just over 11,000. The University has approximately \$1.2 billion in assets and a \$400 million annual budget. The University maintains close ties to the Dayton region. Together with Wright State University and Wright Patterson Air Force Base, it is one of the largest employers in the area. Updating the Commission members as to various University projects, Mr. Burkhardt noted that Kettering dining hall has been improved to provide updating dining facilities for students that now includes two restaurants, one providing traditional American style meals and the other providing international cuisine. The University has also worked to centralize its visual arts programs, which had been situated in 11 different spaces on campus. They are now situated in a former NCR Corporation manufacturing and administration building that the University acquired. Spaces for those facilities include improved HVAC facilities and lighting. The University has completed a new student apartment complex that was subject of its 2011 bond issue with the Commission. It is situated on a three-acre site on which a credit union and car dealership were located. The student apartments provide housing for up to 400 students and include wood floors and washers and dryers. In respect of the University's financial condition, Mr. Burkhardt noted that the University has enjoyed an operating surplus for 15 years. The University's endowment is valued at approximately \$549 million, an increase of over \$140 million since 2009. The University has outstanding debt in the amount of \$319 million, including \$27 million incurred in connection with a recent project with GE Aviation.

Mr. Chick proceeded to update the Commission as to University enrollment and new projects. The University received a record number of applications this fall, resulting in increased University selectivity and quality of incoming students. Ethnic and geographic diversity of incoming students has increased and the University acceptance rate has declined to approximately 55%. The University increasingly targets prospective students who have expressed a genuine interest in the University of Dayton, including those who have come for an on-campus visit. ACT scores for incoming students are higher than the national average and deposits from international students have increased. Student loan default rates are approximately 1.5%, which is below the national average.

Mr. Chick noted that projects that are the subject of the University's proposed financing include projects that are designed to update and replace older facilities. The goal is to provide better facilities for faculty and students while reducing maintenance and other costs. These projects are all part of the University's master plan, which is updated annually. The first project is to provide improvements for the University Science Center Complex, including new windows and improved HVAC facilities. The University also is seeking to finance (i) improvements to the Campus South Apartments student housing complex to provide, among other things, upgraded kitchen facilities and (ii) the acquisition and construction of new houses that will provide 25 additional student beds. The University will be improving facilities for Founders Hall, the music program, the data center and Roesch Library, including provision for

utility and HVAC facilities. The University anticipates a financing in the approximate amount of \$53 million, with \$35 million for the financing of new projects and the remaining amount for the refinancing of a portion of its 2004 bonds issued through the Commission. The University currently anticipates present value savings of approximately \$500,000 as a result of the refinancing. Mr. Chick and Mr. Burkhardt then inquired of the Commission member as to whether they had any questions.

In response to questions from Dr. Kutina, Mr. Burkhardt noted that increased University enrollment is largely attributable to improved recruiting practices, including recruiting that is focused on students who have expressed a genuine interest in the University of Dayton. The University focuses on retaining students who will succeed at the University and stay through graduation. Increased emphasis has also been placed on attracting students from outside the State and maintaining recruiting relationships. The University has been successful in recruiting international students, notably including students from China and the Middle East. The University recently hosted representatives from the Saudi Arabian Consulate on campus. The University's discount rate is approximately 42%, which is where it has been for the last few years. The discount rate had increased in the 2009-2010 academic year, but has since stabilized. The default rate on student loans is calculated to account for loans currently in default and the number of dollars in default. Student loan defaults have been a recent area focus by the U.S. Department of Education. In response to a question from Mrs. Davis, Mr. Burkhardt noted that campus beautification projects have had a positive impact on student enrollment. The single biggest indicator of whether a prospective student will ultimately enroll at the University is whether they came to visit the campus. The University has focused on cohesiveness in the design of recent University projects, including recent library improvements. Mr. Chick noted that he views the campus not only as an administrative officer, but also as a parent. Amenities offered by an institution like the University are increasingly important in a competitive environment. Responding to questions from Mrs. Carter, Mr. Burkhardt noted that the University has made a concerted effort to recruit international students. International students have a lower discount rate, with parents willing to pay more for an education in the United States. There are only 5 top level universities in China and American alternatives are popular with Chinese families. The University has worked hard to establish ties in China, with University administrative officers developing relationships with local officials. The issue of academic freedom is one the University is sensitive to. To date, University programs in China have been focused on engineering and have avoided some of issues that might come up in questions of academic freedom. The University is only offering individual courses and certificate programs in China. The location of the University facility in China is in a planned city that is also the home of companies that include General Electric, Eli Lilly and Emerson Electric. Mr. Chick continued by noting that as a Catholic university, the University is cautious in its China efforts. Given its importance in the global markets, however, the University felt compelled to establish relationships. Responding to a question from Mr. Cannon, Mr. Burkhardt noted that the University pursues a phased approach with respect of its debt as a way of controlling its debt burden. The University currently enjoys a rating of "A2" by Moody's and "A" by S&P. In respect of the GE Aviation research facility in Dayton, that facility would not have been built without the University's participation. The financing was structured as a lease financing in which the University is effectively acting as a developer.

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

Mrs. Davis moved and Mrs. Carter seconded the motion that Resolution No. 2012-22 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; Davis, Kutina; Needles; Shindler; Wells

Nay: None

The Chair declared the motion passed and Resolution No. 2012-22 adopted.

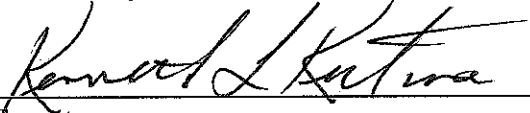
Resolution No. 2012-22 is as follows:

OTHER BUSINESS

Commission members continued its discussion of its fee structure and fund balances. Mr. Cannon noted that he is in the process of working on budget matters with the State. At this time, the Commission members elected not to take any formal action in respect of its issuance fee or fund balances.

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on October 17, 2012, if necessary, or upon the call of the Vice Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary