

HIGHER EDUCATIONAL FACILITY COMMISSION
MINUTES OF THE MEETING OF THE COMMISSION

September 19, 2007

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, September 19, 2007, at 11:00 a.m. at the offices of the Ohio Board of Regents, 36th Floor, State Office Building, 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, Chairman; Richard Petrick, Vice Chairman; John Wells, Secretary; Kenneth Kutina, Deputy Secretary; Wanda Carter; Ronald E. Cosey; Henry Kasson; Tahlman Krumm and Sam Speck. Also present were: representatives of the educational institutions making presentations to the Commission and the respective underwriting firms working with them; Alex Burlingame of Squire, Sanders & Dempsey L.L.P., Bond Counsel to the Commission; and James Wermuth of the Ohio Board of Regents.

The meeting was called to order by the Chairman. Upon call of the roll, Mr. Wells 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 July 18, 2007, were sent to each member prior to this meeting; those minutes are included in the meeting books for each member. Upon review and incorporation of revisions proposed by Dr. Kutina, the Commission members present unanimously approved the minutes of that meeting as submitted.

POOLED FINANCING

Heidelberg College. The Chairman called on Stephen Storck, Vice President of Administration, to update the Commission members as to Heidelberg College's financing request. Mr. Storck advised that the school year is off to a great start, with significantly increased enrollment. Mr. Storck further advised that the College's various residence hall improvement projects are almost complete.

Walsh University. The Chairman then called on Philip Daniels, Vice President for Finance and Business Affairs, to update the Commission members as to Walsh University's proposed financing. Mr. Daniels distributed various University promotional materials to the Commissioners, noting that enrollment was up 200 students this fall. All student residence halls, including the residence hall that is the subject of the University's request to the Commission, are full. The new University residence hall will include a 78-seat theater in the adjacent connecting space.

Heidelberg College and Walsh University will be financing their respective projects through a "pooled" bond financing. Mr. Burlingame stated that the bond documents had been prepared and are in substantially final form. The anticipated closing date for the bond issue is in the first half of October. The resolution approves the bond documents and authorizes the issuance of bonds as part of the Commission's pooled financing program.

Mr. Petrick moved and Mr. Wells seconded the motion that Resolution No. 2007-12 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, Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Speck and Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-12 adopted.

Resolution No. 2007-12 is as follows:

OHIO NORTHERN UNIVERSITY

The Chairman next called on John Green, Vice President for Financial Affairs, to speak to the Commission members in connection with Ohio Northern University's proposed financing. The largest component of the University's request is the construction of the approximately 90,000 square foot Mathile Science Center. The approximately \$21 million project would primarily provide additional lab and science facilities, as well as connect the University's current science and pharmacy buildings. The University is currently soliciting bids for the construction of the project, which the University will fund by a combination of gifts and bonds issued through the Commission. Ideally, the University would like to raise \$13 million in gifts for the project, \$10 million of which it has in-hand now. In referring to the building floor plan distributed to the Commission members, Mr. Green noted that much of the space would be devoted to the University's biology, chemistry and math departments, which currently experience heavy class loads. There also would be space provided for the University's nursing program, and possibly space for a forensics lab, depending on whether federal money in support of the forensics program is obtained.

The second component of the University's request is financing for the construction of a University Inn. The Inn would be located just south of the existing student center and is being established, in part, as a way to lessen the University's dependence on tuition revenue. The University's strong law, pharmacy, business and engineering programs create an interest in, and a need for, continuing education programs. The new Inn will help meet this need, providing space for both the programs themselves, as well as lodging for the program participants. The first floor of the proposed Inn would include 38 guest rooms, as well as lounge and conference facilities. Initially, the second floor of the Inn would include efficiency apartments for law students. The total cost for the Inn is approximately \$10 million, with construction expected to commence in October. The site for the facility has already been cleared. A portion of the proposed financing for the new Inn will include both taxable and tax-exempt bonds.

The final component of the University's financing request includes the acquisition and renovation of the Union Square Apartments. The property is surrounded on all sides by existing University property and its acquisition will meet the strategic needs of the University, as well as provide needed space for additional student housing. The approximate size of this portion of the financing is \$1.3 million.

Mr. Green then inquired of the Commission members whether they had any questions in respect of the University's request. In response to a question from Mr. Speck, Mr. Green advised that the apartment complex would definitely be used for student housing purposes upon completion of various renovations designed to modernize and update the complex for current student needs. Mr. Krumm then inquired of Mr. Green as to whether he is confident the University could make a University Inn "work." Mr. Green advised that he had talked to other colleges and universities in the state, such as Miami University, that operate inns. Based on this and his own experience at Hillsdale College in Michigan, Mr. Green is confident that the Inn will be a success. Establishing the Inn will address the University's need for nearby lodging given its rural location. The University is planning to operate the Inn at a loss for five years. In

response to a question from Mr. Cosey, Mr. Green advised that the University does not plan to start a hospitality management program in connection with the development of the Inn, though they have discussed the matter with the administration of the Business College. Business students, however, will play a large role in the operation and management of the Inn.

In response to questions from Dr. Kutina, Mr. Green advised that the \$10 million received to date for the new science center came in the form of a single donation from Clay Mathile, the new building's namesake. With respect to the University Inn, should the second floor be needed for Inn purposes, the University would be sure to plan so that alternate space would be available for the law students. The University has a three phase long-term housing plan. The first phase has been completed and the University expects to complete the second phase in approximately one year. The third phase includes efficiency apartments for law students. Law students would not be moved out of the Inn until these new apartments are available. Dr. Kutina further inquired as to the need for taxable and tax-exempt bonds for the new Inn and how the University intended to operate the facility. Mr. Green noted that while it would primarily be used for University purposes, the lodging facilities would be open to members of the public and could host non-University related events, such as weddings. Michelle Salomon of Banc of America Securities, the University's underwriter, noted that they, together with the University, would be working closely with Bond Counsel in structuring the deal to assure compliance with IRS regulations and achieving the right mix of taxable and tax-exempt debt. Dr. Kutina also inquired about the future proposed distance learning center on the second floor of the Inn. Mr. Green noted that if the University proceeded with this facility, it would only be used to expand existing programs rather than developing new ones. Notable future uses for the distance learning facility may include facilities for the forensics program, which often features outside speakers.

In response to questions from Ms. Carter, there ensued further discussion of the tax analysis regarding the University Inn and the need for both taxable and tax-exempt bonds. In certain circumstances, IRS regulations do not permit the use of tax-exempt bonds to finance facilities the use of which are not directly related to the University's core purpose. Bond Counsel advised that they will work closely with the University to make sure the transaction is structured in such a way as to comply with tax regulations and achieve the appropriate mix of taxable and tax-exempt debt. After the issuance of the bonds, it is the University's responsibility to operate the financed facilities in such a way so as to comply with applicable tax regulations. Under the financing documents, the University is required to indemnify the Commission in the event of non-compliance. In response to questions from Mr. Needles and Mr. Cosey, Mr. Green confirmed that the University Inn would be viewed as a traditional college inn rather than as a hotel or motel. Its appearance would be much like that of a student apartment complex. The University does not intend to establish a relationship with a hotel chain, although they did look at that as an option. The University has, however, consulted with an alumnus of the University in the hotel business in connection with its University Inn planning. Following further inquiry from Dr. Kutina, there was further discussion regarding the tax analysis for the financing. The Commissioners would appreciate an update on how this progresses prior to the anticipated bond closing in the first half of December. This update will be provided when the University returns to the Commission for final approval. At the request of Mr. Kasson, bond counsel will distribute additional materials regarding the University's agreements to assure the tax-exempt status of bonds issued by the Commission.

Mr. Burlingame noted that the resolution for consideration approves the preliminary agreement between the Commission and the University, which is in its usual form. The University expects to return to the Commission for final approval later this fall, with the hope that bonds may be issued in the first half of December.

Mr. Petrick moved and Mrs. Carter seconded the motion that Resolution No. 2007-13 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, Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Speck and Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-13 adopted.

Resolution No. 2007-13 is as follows:

MALONE COLLEGE

The Chairman next called upon representatives of Malone College to discuss their application to the Commission. Present on behalf of the College were Gary Streit, President of the College, Richard Pakel, Executive Vice President of Administration of the College, and Ronald Messner, College Controller. Mr. Streit thanked the Commission members for their time, noting that he was new to the State, having only been on the job since July 2nd of this year. In that time, he has learned much about the history of the College and the City of Canton. In 1956, Canton was the largest city in the country without an institution of higher education. Malone College was originally located in Cleveland, Ohio, but in the mid-1950s was forced to move its campus as its land was scheduled to be taken for highway projects. With the College's need to find a new home and Canton's need for an institution of higher education, Malone College moved to Canton in 1957. Current enrollment is approximately 2,400 students and is up in every possible category. Mr. Streit is impressed with the College's academic programs, noting that over 75% of College faculty holds a doctorate degree.

With regard to the College's present request before the Commission, it is intended to address the need for additional student housing. Mr. Streit then introduced Mr. Pakel with the request that he provide the Commission members with further detail as to the proposed financing. Mr. Pakel stated that the College's existing residence facilities were "busting at the seams." This year the College has approximately 70 students that could not be housed in campus residence halls, and in response the College has eased its residency requirements, allowing more students to live off-campus. The College has made arrangements with nearby apartment owners to accommodate the needs of students who are not able to live on campus. The new residence hall that the College proposes to finance is similar to the residence hall that was the subject of the College's 1998 Commission financing. The primary difference with the current proposed financing is that the new residence hall provides space for approximately 50 more beds. The College is using the same architects as were engaged in 1998, and is designing the new facility in such a way that an additional wing can be added on if determined necessary. With that in mind, the new facility design includes utility systems that could accommodate the needs of an additional wing. Referring to the renderings of the new residence hall distributed to the Commission members, Mr. Pakel stated that the new dormitory will include a passage through the middle so that members of the College community would not have to walk around the building to gain access to the main academic quad. The new residence hall will include a lounge on each floor, as well as computer and study rooms. An apartment for the residence hall director will be included on the first floor, as well as space for laundry and vending machines. Each room in the residence hall will include two beds and share a restroom with the adjacent room, so that four students will each be sharing a bathroom. Mr. Pakel acknowledged the current trend for suite style living at college and university residence halls, but stated the College currently views this project as an upgrade and replacement of what they currently have. By utilizing a plan very similar to the facility that was built in 1998, the College expects to minimize costs. Given the similar design and prior experience, the College expects to complete the project by January 2009, though it would like to be able to house students in portions of the building in the fall of 2008, if possible. The College may consider building suite style residence hall facilities in the future.

The new residence hall is being built on the site of the College's former baseball field. Consequently, a portion of the College's request to the Commission includes the

construction of a new baseball facility on a different part of the campus. The new baseball facility will be an upgrade for the College's baseball program, and will include such amenities as lights for night-time play. Until the new facility is complete, the baseball team will be using a former minor league baseball field.

The final portion of the College's request includes the construction of an approximately 1/8 of a mile long roadway. This roadway will connect recently purchased property adjacent to the College to the main College campus. Mr. Pakel noted that this portion of the project is slightly more expensive than one would expect given the proposed path of the roadway extends over various utility lines and is not flat.

In addition to the requested new projects, the College has requested the refinancing of approximately \$6.2 million of bonds from the 1998 bond issue. By doing this, the College expects to obtain significant savings both in interest costs and in letter of credit fees. Mr. Pakel then introduced David Fumi of The Huntington Investment Company and Richard Kress of The Huntington National Bank. Mr. Fumi advised that Huntington has been the College's bank for over 20 years and that he and Mr. Kress were present to show their support. The bank is continuing its credit analysis of the College, with the hope that the College will be able to return to the Commission for final approval at its November or December meeting. Mr. Pakel then inquired of the Commission members whether they had any question in respect of the proposed financing.

Mr. Speck commented that he drives by the College campus frequently and has been impressed with its progress. He also is impressed with the College's budget for the proposed residence hall, noting that it compares favorably to other proposals the Commission has recently considered. In response to questions from Mr. Speck, Mr. Pakel noted that each residence hall room would include a desk situated under a high-loft bed. Mr. Kress noted that the College would not need to increase tuition or fees to meet debt service and that current College cash flow alone could provide for it. Mr. Speck commented that it may be difficult for the College to increase fees or tuition in the future, given the pressure on competing public universities to keep tuition and fees capped at current levels. In response to questions from Dr. Kutina, Mr. Pakel noted that the new residence hall will have a basement, however, heating and air conditioning will be provided through window units similar to those found in hotels. The plan for the residence hall calls for all utilities to enter through one location, with additional capacity for any new residence hall wing to be provided only to the extent it makes economic sense to do so. Utility access will be provided through the back of the building, as well as through the roof. Dr. Kutina noted that the design for the new residence hall had a nice look to it, especially given the College's budget. Mr. Streit remarked that the continuity of architectural design for the new residence hall, as compared to existing buildings, will create a nice look. Responding to questions from Mr. Cosey, Mr. Pakel noted that the new residence hall would not be co-ed and that the building would be divided by all male and all female sections. Students living in the residence hall will eat in the College student center, which is approximately 500 yards away from the new facility. Mr. Streit noted that he had been provost at Olivett Nazarene College in Illinois. Responding to a question from Dr. Kutina regarding the new road, Mr. Pakel confirmed that there already was an existing walkway on that path. Mr. Pakel agreed with Dr. Kutina's preference to avoid roadways running through a college campus, and assured that

the new roadway ran on the outskirts of the College's campus and would provide minimal disruption to pedestrian traffic.

Mr. Burlingame noted that the resolution approves the preliminary agreement between the Commission and the College. The resolution and that agreement are in their usual forms.

Dr. Krumm moved and Mr. Wells seconded the motion that Resolution No. 2007-14 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, Cosey, Kasson, Krumm, Kutina, Needles, Petrick, Speck and Wells

Nay: None

The Chairman declared the motion passed and Resolution No. 2007-14 adopted.

Resolution No. 2007-14 is as follows:

OTHER BUSINESS

The Commission members next discussed the ethics educational sessions that each are required to attend before the end of the year. Mr. Petrick noted that he had been to the 4-hour ethics training session, which he viewed as excellent. Other ethics training sessions available to the Commission members are two hours in length and are being held on various dates throughout the state. Susan Willeke, from the Ohio Ethics Commission, should be contacted if any of the Commission members have questions about the training sessions. Mr. Needles encouraged the Commission members to make sure they get this done before the end of the year.

Mr. Petrick then updated the Commission members as to the status of the ratios initiative. A telephone conference was recently held with various college finance officers, including those from the University of Dayton, Case Western Reserve University and Kenyon College. There ensued further discussion regarding the various materials distributed to the Commission members regarding the initiative, including clarification of various accounting terms. Mr. Kasson posed a question as to whether the Commission should be concerned as to potential liability in connection with the ratios initiative. Mr. Petrick responded that the initiative is intended to result in a series of analyses that the Commission members could use as a tool in evaluating each financing request that comes before it. There is no intent to have hard benchmarks. Dr. Kutina also remarked that the information obtained from the process will help Commission members ask better questions. Dr. Kutina would also like to see colleges provide retention and graduation rate information as part of the information they periodically submit in connection with financing requests.

CALL OF NEXT MEETING AND ADJOURNMENT

The Commission will next meet on October 17, 2007, if necessary, or upon the call of the Chairman. On motion duly made and seconded, the meeting was adjourned.

Secretary