

OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

February 20, 2013

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, February 20, 2013, at 11:00 a.m. at the Burton Morgan Center on the campus of Denison University, Granville, 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; Susan Tate; and James Wilson. Absent from the meeting were: James Shindler and John Wells. Also present were: representatives of the institutions 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 January 16, 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. Wilson that was seconded by Ms. Tate, all Commission members present approved the minutes of that meeting.

THE COLLEGE OF WOOSTER

The Chair next called upon Laurie Stickelmaier, Vice President for Finance and Business, to speak to the Commission members regarding The College of Wooster's financing request. Joining Ms. Stickelmaier was Peggy DeBartolo, Controller. Ms. Stickelmaier thanked the Commission members, noting that the College was seeking approval for the advance refunding of 2005 bonds issued by the Commission. The proposed bonds would be purchased by PNC Bank in a direct placement transaction. Overall, the College is doing very well. The College has received a record number of applications for the coming academic year, and it enjoys a current freshman class of 573 students. College discount rates have stabilized and current total enrollment is just over 2,000 students; a level consistent with College goals. Ms. Stickelmaier further noted that recent projects financed by Commission bond issues are meeting expectations. The Scot Center, which was financed in part by bonds issued in 2010, is a beautiful building enjoyed by all members of the College community. Recent performance contracting projects also are exceeding expectations. In respect of the proposed bond issue, the College anticipates that the refinancing will reduce its interest rate to below 2% and that the College will enjoy approximately \$280,000 of net present value savings. Financially, the College is stable, as evidenced by its recent operating margins, income ratios and other financial measures. Consistent with the experience of other similarly situated institutions, the College has experienced some recent decline in its endowment value. Ms. Stickelmaier then enquired of the Commission members as to whether they had any questions.

In response to a question from Dr. Kutina, Ms. Stickelmaier credited the increase in applications to the College's strong market plan and new Vice President for Enrollment. The College also has increased its investment in recruiting. In response to questions from Mr. Wilson and Dr. Kutina, Ms. Stickelmaier noted that the College is working to reduce its endowment draw rate to 5%, and has in place a cap on the total amount of endowment draws. The College also recently changed investment advisors. Ms. Stickelmaier confirmed that the College is a four-year undergraduate liberal arts institution with no graduate level programs. In response to questions from Mr. Needles, Ms. Stickelmaier noted that the College's independent study program has existed since the early 1950s and that is well ingrained into the College curriculum. In respect of recent projects, the College expects to convert to natural gas this March, with power plant conversion completed in November. In response to a further question from Dr. Kutina, Ms. Stickelmaier noted that the 2005 bonds will be called for redemption in 2015.

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

Dr. Kutina moved and Mrs. Carter seconded the motion that Resolution No. 2013-02 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; Kutina; Needles; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-02 adopted.

Resolution No. 2013-02 is as follows:

DENISON UNIVERSITY

The Chair next called upon Seth Patton, Vice President for Finance and Management, to speak to the Commission members regarding Denison University's financing request. Joining Mr. Patton was Josh Beitzel, Manager of Investments. The Chair extended the Commission's gratitude to the University for hosting this meeting of the Commission, noting that the campus looks great. Mr. Patton stated that the purpose of the proposed bond issue is to achieve savings by the refinancing of the University's outstanding 2004, 2007 and 2010 bonds issued by the Commission. The refinancing of certain of the 2004 bonds may be done on a taxable basis, while the refunding of other bonds would be done on a tax-exempt basis. PNC Capital Markets will act as lead underwriter for the financing, with RBC Capital Markets and Fifth Third Securities being part of the underwriting team. Overall, the University is doing well. Enrollment remains stable; however, the University is working to actively manage the issue of declining pools of high school graduates in Ohio. Approximately 28% of the student body comes from Ohio, with the remaining students coming from other parts of the country, including Illinois and Michigan. Approximately 10% of the student body comes from outside of the United States. The University is aware that the issue of affordability is increasingly important to prospective students and it is using the endowment and other sources to manage student expenses. Approximately 30% of the University's operating revenue comes from the endowment. While the University has stated costs of over \$50,000 per year, the average student pays less than \$30,000 per year. In recruiting students, the University uses a combination of both need-based and merit-based scholarships and other forms of student support. Need-based scholarships have in many cases a merit component. Merit-based financial aid remains an important tool in recruiting high performing students in an increasingly competitive environment. Overall enrollment is just over 2,100 students and the University has reopened a previously closed residence hall to accommodate student housing needs. Primary University financial goals include: maintaining revenues in excess of expenditures; and maintaining revenue growth that outpaces expenditure growth. Mr. Patton gave special credit the University's investment team, which recently experienced a 4.1% rate of return in what has been a challenging investment environment. Mr. Patton then inquired of the Commission members as to whether they have any questions.

Responding to a question from Mrs. Carter, Mr. Patton noted that with regard to maintaining enrollment over the long term, the University will continue its focus as a four-year liberal arts institution. There are a declining number of schools that fit this profile, and this will set Denison apart from others in the future. The University pursues a national recruiting strategy and leverages its endowment for the purpose of keeping student costs down. Mr. Patton noted that the President of the University will be retiring this summer and that the University administration is currently in the planning stages for a new capital campaign. Part of the campaign will place emphasis on growing the endowment without creating new programs, with the ultimate goal of keeping overall student costs down. One of the ways the University achieves savings is by participating in a purchasing consortium with other institutions of higher education. The University's endowment is currently ranked as the 105th largest in the country. In response to a question from Mr. Cannon, Mr. Patton noted that further board of trustees' authorization is required for the refunding of the 2007 and 2010 bonds. In response to questions from Dr. Kutina, Mr. Patton further noted that the refunding of the prior bonds will require the creation of escrow funds to pay redemption prices on the first respective optional redemption

dates. In respect of costs to students, average debt over four years is approximately \$21,000. The University enjoys a very low default rate in respect of student loans at approximately 1.6%. The discount rate for international students is similar to that enjoyed by the remainder of the student body. The majority of international students come from China. For the coming academic year, the University has received just over 4,700 applications. Increases over the years are in part attributable to the use of the common application. Responding to a further question from Mrs. Carter, Mr. Patton noted that application levels have been impacted by the general economy, demographics and questions regarding affordability. Student yield has declined from 29% to approximately 27%. In response to a question from Mr. Needles, Mr. Patton discussed the University's future capital needs. The University is evaluating its heating plant and coal and gas facilities. Moving those facilities closer to campus can provide for more efficient distribution. The University also is considering the development of a combined heat and power facility, but it needs to consider carefully whether the savings will justify the up-front costs. University housing facilities meet student needs and there have been improvements to dining facilities over the last several years. The University's fine arts facilities will need improvement at some point.

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

Mr. Wilson moved and Ms. Tate seconded the motion that Resolution No. 2013-03 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; Kutina; Needles; Tate; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2013-03 adopted.

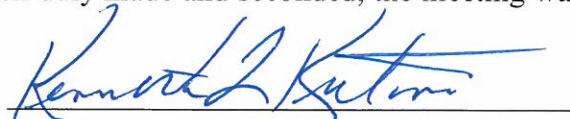
Resolution No. 2013-03 is as follows:

OTHER BUSINESS/CALL OF NEXT MEETING AND ADJOURNMENT

The Chair and other Commission members acknowledged the efforts of Lynnda Davis. A resolution acknowledging those efforts was presented to the Commission. By a motion made by Mrs. Carter that was seconded by Mr. Wilson, and there being no further discussion, the motion was adopted (Resolution 2013-04).

Mr. Cannon continues as Vice Chair and as the Chancellor's designee on the Commission. By motion made by Mrs. Carter that was seconded by Mr. Wilson, and there being no further discussion, the Commission members present unanimously confirmed Mr. Cannon's continued status as Vice Chair (Resolution 2013-05). Mr. Christensen is collecting ethics disclosure materials from Commission members. There was a discussion of Commission finances and review of materials prepared by Mr. Christensen.

It is now expected that the Commission will next meet on March 20, 2013, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.


Secretary