OHIO HIGHER EDUCATIONAL FACILITY COMMISSION

MINUTES OF THE MEETING OF THE COMMISSION

January 21, 2015

The Ohio Higher Educational Facility Commission (the "Commission") met on Wednesday, January 21, 2015, at 11:00 a.m. on the 19th Floor, Room 1932, of the Riffe Center, 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; John Martin; James Shindler; and James Wilson. Absent from the meeting were: Susan Tate; and John Wells. Also present were representatives of the institution appearing before the Commission; Ben Christensen of the Ohio Board of Regents; William Elliott of Blue Rose Capital Advisors; and Alexander G. Burlingame of Squire Patton Boggs (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 December 17, 2014 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. Martin, all Commission members present approved the minutes of that meeting.

XAVIER UNIVERSITY

The Chair next opened the public hearing required by applicable federal tax regulations for the proposed Xavier University financing. Notice of the hearing was published in *The Columbus Dispatch* and *The Cincinnati Enquirer*. The Chair 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 Chair closed the public hearing.

The Chair next called upon Maribeth Amyot, Chief Financial Officer and Senior Vice President, to speak to the Commission members regarding Xavier University's financing request. Joining Ms. Amyot was Megan Bosco, Director of Investments and Debt. Ms. Amyot thanked the Commission members, noting that each Xavier University appearance at the Commission is a sign of the institution's progress and growth. In December of 2013, the Commission assisted with the refinancing of approximately $20 million of bonds that resulted in a new interest rate of less than 3% for 17 years. Ms. Amyot then noted that the University is seeking approval for the restructuring of up to $134 million of existing bonds. The transaction has been approved by the University's Board of Trustees. The University is specifically requesting approval for two financing transactions. The first transaction will be a private placement for the purpose of refunding the University's 2008A and 2008B Bonds, which are variable rate bonds secured by a letter of credit. This refinancing, which will initially include both taxable and tax-exempt debt, will not only save the University money, but also will reduce the risks associated with letter of credit renewals and remarketing. The University anticipates that the swaps associated with the 2008 bonds will stay in place. U.S. Bank National Association will be purchasing the bonds in the proposed private placement transaction, which also will benefit the University in that it will not need to maintain certain liquidity levels given the removal of letter of credit and associated remarketing risks. Letters of credit are increasingly difficult to find in the market place, and those that do continue to exist are increasingly expensive. The second component of the proposed financing includes the refinancing of the University's 2008C fixed rate bonds. The 2008C issue was Ms. Amyot's first bond issue as Chief Financial Officer of the University. This financing was for various projects that were part of the University's strategic plan and were not paid for through fundraising. Fall of 2008 was a difficult time in the market place, as evidenced by the demise of Lehman Brothers during that time period. The University then and now enjoys a highly-engaged finance committee, which enabled the University to pick the most opportune time to enter the market. At one point the University even considered stopping construction on the projects if the market environment was not right. When the University did market the Series 2008C Bonds, it was a time of low volume in the market and only $55 million out of the total possible $80 million of bonds were sold. By selling bonds through the Commission when they did in 2008, the University placed itself in a small group of universities that were able to accomplish that type of financing during that economically-challenged time. The financing had a dramatic impact on the University, providing new and improved facilities that benefit the University, including with respect to recruiting. The projects were completed below budget, as there was a shortage of construction products/projects generally at that time. Mr. Needles commented on the challenges faced by all institutions in 2008 and congratulated the University on its ability to consummate such a successful transaction during that time. Ms. Amyot inquired as to whether the Commission members had any further questions.

In response to a question from Mr. Cannon, Ms. Amyot confirmed that the proposed bonds would include transactions that provide for the issuance of a combination of fixed and variable rate debt. The variable rate bonds will refund existing variable rate bonds that have swaps associated with them. The swaps will remain in place, as the University would have a termination payment if the swaps were removed. The variable rate refinance transaction will also improve the University's ratios, as it will no longer need to provide for liquidity necessary to cover risks associated with letter of credit renewals and failed remarketings. Ms. Bosco noted that the initial bank approval for the variable rate bonds is ten years, thereby extending the period of time the University has to consider another refinance transaction or replacement bank. The University undertook an RFP for the private placement and determined U.S. Bank had the most attractive proposal. Responding to a question from Mr. Wilson, Ms. Bosco noted that the University's endowment is at approximately $153 million, as compared to approximately $190 million of debt. The University recently enjoyed an approximately 17.7% return on its investments. Ms. Amyot noted that the University endowment was at approximately $80 million in 2008 and that it pays down approximately $4 million of bonds each year. In response to questions from Dr. Kutina, Ms. Amyot noted that the University's discount rate is in the high 30 percentile for all students and in mid-40% range for undergraduate students. The University monitors its discount rate closely; it has been increasing over recent years. The University strives to be affordable for students. Many of its students are first-generation university attendees. The use of discount also enables the University to promote diversity and attract academically talented students. The entering freshmen class of 1,200 students is consistent with the University's goal, which is up from 800 five years ago. Class sizes will continue to increase, but not by much. The University campus could accommodate a total of 5,000 students without further expansion. Ms. Amyot continued by noting that faculty includes visiting faculty and non-tenure track full-time faculty, but that the University is intentionally reducing the use of adjunct professors. Adjunct faculty is only used when there is no one from within the University to fill the given need. Coursework in healthcare fields, including nursing, are taught by "clinical faculty" that are typically not tenure track. Barclay's will be acting as underwriter for the fixed rate transaction.

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 in both private placement and underwritten transactions, and related documents and matters.

Mr. Wilson moved and Mrs. Carter seconded the motion that Resolution No. 2015-01 be adopted.

Aye: Cannon; Carter; Kutina; Martin; Needles; Shindler; Wilson

Nay: None

The Chair declared the motion passed and Resolution No. 2015-01 adopted.

Resolution No. 2015-01 is as follows:

CALL OF NEXT MEETING AND ADJOURNMENT

It is now expected that the Commission will next meet on February 18, 2015 in Columbus, if necessary, or upon the call of the Chair. On a motion duly made and seconded, the meeting was adjourned.

Kenneth L. Kurtenna

Secretary