MINUTES
Board of Trustees' Meeting
August 4, 2006
Troy University, Troy, Alabama

The Board of Trustees met at 2:00 p.m. on August 4, 2006, in the General Academic Building Conference Room on the Troy University Campus in Troy, Alabama. Dr. Doug Hawkins, President Pro Tem of the Board, called the meeting to order.

I. Roll Call

Upon roll call, the following members, comprising a quorum, answered present: Dr. R. Douglas Hawkins, Senator Gerald O. Dial, Dr. James R. Andrews, Mr. Roy H. Drinkard, Mr. John Harrison, Mr. Lamar P. Higgins, Mr. Allen E. Owen III, Mr. Forrest Latta, Mr. C. Charles Nailen, and SGA President Mr. Joe Hutto (non-voting member). Absent: Governor Bob Riley, State Superintendent of Education Dr. Joe Morton, and Mr. Milton E. McGregor.

II. Approval of Minutes (March 10, 2006)

A draft copy of the minutes was mailed to Board members prior to the meeting. There being no changes, Dr. D. Hawkins called for a motion to approve the minutes as presented.

ACTION: **Senator Dial made a motion to approve the Minutes as presented for the March 10, 2006, meeting. A second to the motion was made by Mr. Owens. Having received a motion and second, the Minutes (copies of which were mailed to Board members prior to the meeting) were approved.**

III. Chancellor's Report

A summary of Chancellor Hawkins' report follows:

Chancellor Hawkins said that this year has been a year of successes. He commented on the process of merging the university's three independently accredited universities into one and commended everyone who worked so hard to bring this initiative to fruition. Through the process, the university now has one curriculum and has successfully merged 81 different academic programs with a savings of over $1.5M. The Chancellor added that the Southern Association of Colleges and Schools (SACS) continued accreditation following the review of our merger and consolidation and no further report was requested by SACS.

A report was given on enrollment projections for the Troy Campus. Based on students accepted for Fall 2006 to date (2,943) and a conversion rate of 60 percent, the university should enroll 1,766 of those accepted for admission. The goal set for the undergraduate enrollment for Fall 2006 is 1,905 which will require that an additional 139 students are registered during later registration periods. In comparison, new undergraduate enrollment for Fall 2005 was 1,835. Chancellor Hawkins added that inroads are being made into new markets in Baldwin, Madison, and Shelby/Jefferson counties.

eCampus enrollments for AY 2005-2006 totaled 92,388. The university's *eCampus* enrollments make it the second largest state university distance-learning provider in the nation. Forty percent of TROY students use Distance Learning (DL) and forty-four percent of the total enrollments come from DL. It was noted that no state funding is involved in DL.

Chancellor Hawkins provided highlights on several building projects which include a Center for Student Success. Eldridge Hall will be renovated to house the Center. Through the Center the university will meet a strategic initiative to improve the first-year experience for students and help improve retention. The Bookstore project will cost approximately $2.5M and the profits from the bookstore have increased substantially since Barnes and Noble took over the operation. In the transportation area, the university has received about $2.9M in funding from federal funds. A shuttle system for campus was made possible through these funds as well as several paving projects are being completed. A new 524-bed student housing complex is also in the planning stages and will cost around $24M. Another project being developed will be a College of Education Building that will sit where Dill Hall is located.

Chancellor Hawkins updated the board on plans for a doctoral program, a Ph.D. in Public Policy. He shared an excerpt from a letter received from Dr. Mike Malone, Executive Director of the Alabama Commission on Higher Education, that said: "Since state funds are not expended for the operation of any of University College's programs operated outside the state of Alabama, those programs and the

new program you propose do not fall under the Commission approval and regulation requirements." As a next step, the university will conduct a market and financial analysis.

An update was given on ACCESS—**A**labama **C**onnecting **C**lassrooms, **E**ducators, & **S**tudents **S**tatewide. This program puts Troy University into every high school in Alabama and provides high-quality classroom courses and teachers via technology. The ACCESS initiative was developed by the Governor and Troy University has been selected as one of three universities to participate in this program. Another important initiative is AMSTI—Alabama Math, Science, and Technology Initiative. Troy University is proud to have been selected to participate.

Chancellor Hawkins provided a brief on international initiatives. The third China 1-2-1 graduation ceremony was held in Wuhan in June. International recruiting continues to be an important initiative and Chancellor Hawkins reported that a goal has been set for 800 international students by 2010. Fall 2006 international student enrollment was at 700 and China, Nepal, Saudi Arabia, Japan and Korea are leaders in sending us students. The Chancellor reported on a trip he made with the American Association of State Colleges and Universities (AASCU) to South Africa with a group of university presidents, as well as an upcoming trip to Egypt. In regard to Study Abroad programs, Chancellor Hawkins reported that a goal has been set to develop five study-abroad programs per college by 2010.

In conclusion, the Chancellor advised that TROY's 100% online programs were awarded a "Best Buy Education Degree Online 2006" and ***The Princeton Review*** named TROY to its "Best in the Southeast" ranking. ***U.S. News and World Report*** featured TROY in its "America's Best Colleges" as one of the "Best Universities—Master's" in the Southeast Region.

IV. Board Committees

A. Finance Committee, Mr. John Harrison

Mr. Harrison called upon Mr. Jim Bookout to give the Financial Affairs report.

1. Financial Affairs , Mr. Jim Bookout

A handout of Mr. Bookout's presentation was provided in Board members' packets and it outlined the proposed operating budget for 2007. Mr. Bookout's informative report included projections for revenue, comparison of actual revenue for prior years, expense projections for 2007, and an analysis of the expense budget increases. In conclusion, Mr. Bookout reported that the proposed budget for 2007 is $183,464,186 for a total increase over last year of $4,703,967.

a. **Resolution No. 1—2006-07 Budget**

Following Mr. Bookout's presentation, Mr. Harrison reported that the Finance Committee met prior to the full Board meeting and he said that on behalf of the Finance Committee he recommended approval of Resolution No. 1.

ACTION: On a motion by Mr. Harrison, seconded by Mr. Owen, Resolution No. 1, as follows, was adopted as presented.

Resolution 1

Approving the 2006 – 2007 Budget

WHEREAS, the administration of Troy University has developed and recommended the Troy University budget for FY 2006-2007; and

WHEREAS, as the Chancellor has reviewed the revenues and expenditures within the proposed budget and has determined that the proposed budget is fiscally sound; and

WHEREAS, the Board members were briefed on various new revenues and proposed new expenditures at the annual Board retreat in March of 2006; and

WHEREAS, there are sufficient funds to provide for a salary increase and provide additional funding for employee health insurance;

THEREFORE, BE IT RESOLVED by the Board of Trustees on this 4th day of August 2006 the attached budget for 2006 – 2007 fiscal year is approved with the understanding that the Chancellor is

authorized to make such changes from time to time as, in his judgment, may be necessary; and

BE IT FURTHER RESOLVED that the Board of Trustees authorizes up to a five percent salary increase for faculty, staff, and classified employees of the University as established by the Chancellor and authorizes the Chancellor to increase the funds allocated to providing health insurance consistent with the University's goal of achieving health insurance cost for employees at a rate comparable with the average paid by employees of Alabama's public universities.

2. Residential Facilities

a. **Resolution No. 2—Sale of University Property to LLC**

Mr. Harrison introduced Resolution No. 2 saying that this is a very creative financing plan and will set the tone for other universities to follow. He called on Dr. John Schmidt to give a brief overview of Resolution No. 2. Dr. Schmidt advised that legally this resolution deals with a very complex process and later he would call on Mr. Charles Perry, President of Ambling, to make comments. Dr. Schmidt said that the project will cost approximately $24.3M and projected date of completion is set for July 2007. He said that a Limited Liability Corporation was formed through the Troy University Foundation. Dr. Schmidt called on Mr. Perry who gave a detailed overview of the project.

Mr. Harrison concluded by stating that the Finance Committee met and approved unanimously that Resolution No. 2 be submitted to the full Board for adoption.

ACTION: ON A MOTION BY SENATOR DIAL AND SECONDED BY MR. NAILEN, RESOLUTION NO. 2 WHICH FOLLOWS WAS ADOPTED UNANIMOUSLY.

Resolution No. 2

SALE OF PROPERTY TO TROY UNIVERSITY HOUSING, LLC

WHEREAS, the below described real property was sold at public auction pursuant to the *Code of Alabama*, 1975, §9-15-70 et seq. on August 3, 2006 subject to the approval by the Board of Trustees of Troy University to Troy University Housing, LLC being the highest bidder.

THEREFORE BE IT RESOLVED by the Board of Trustees on this 4th day of August, 2006 that the University shall sell the following described real property:

> A parcel of land lying on the south side of University Avenue, on the east side of Folmar Street and on the north side of Collegedale Street in the City of Troy, Pike County, Alabama and being more particularly as follows:
> Commencing at the point of intersection of the east right of way of Folmar Street and the south right of way of University Avenue, said point being a ½" open pipe; thence along University Avenue S 56º16'21" E 126.12 feet to a 1" flat iron; thence continuing along said right of way S 55º42'04" E 144.20 feet to a 3/4" rebar; thence S 56º20'09" E 256.81 feet to a ½" rebar (CAP CA 0537-LS); thence continuing along said right of way S 82º02'14" E 382.46 feet to a ½" rebar (CAP CA 0537-LS); thence leaving said right of way S 14º56'06" W 284.89 feet to a ½" rebar (CAP CA 0537-LS) lying on the north right of way of Collegedale Street; thence along said right of way N 79º16'19" W 757.13 feet to a ½" rebar (CAP CA 0537-LS) lying on the east right of way of Folmar Street; thence along the east right of way of Folmar Street N 00º05'33" E 480.96 feet to the point of beginning. Said parcel containing 5.97 acres more or less.

to Troy University Housing, LLC for the sum of $600,000.00.

b. **Resolution No. 3—Relating to Student Housing and Housing-Related Facilities**

Continuing the Finance Committee report, Mr. Harrison called on Dr. John Schmidt, who introduced Mr. Roy Goldfinger, bond attorney. Mr. Goldfinger reported that the resolution before the Board today is the full text of the resolution. Previously the Board received a **Summary of Salient Provisions** of the

proposed resolution relating to student housing and housing-related facilities. This summary was sent out in the mail packets provided to Board members prior to today's meeting. Mr. Goldfinger explained specific sections in Resolution No. 3 and he said that one thing this resolution does is to authorize the Chancellor to continue providing oversight and guidance and input to the LLC because it is actually the LLC of the Troy University Foundation that will be the party that enters into the development agreement with Ambling for the construction of this project. He said that as Mr. Harrison pointed out that this resolution is rather unique in structure, and one way is in the creation of a Troy Public Education Building Authority that was created with the assistance of the City of Troy. This Authority has already met and will be the issuer of the bonds and the primary obligor of the bonds will be the LLC. Appreciation was expressed to Attorney Nick Cervera for his assistance in the creation of the LLC. Mr. Goldfinger explained in detail how the lease agreement between the lease authority and the LLC will work.

Mr. Goldfinger called on Mr. Mike Dunn with Merchant Capital to talk further about the bond issuance process. Mr. Dunn reported that Moody's analyst visited the Troy University campus recently to meet with Chancellor Hawkins and other administrators. Mr. Dunn said that the rating for the university was affirmed this morning as an A-2 rating on the university debt, which is a good, solid, strong investment-grade rating, and this lease obligation debt got a rating of A-3. Mr. Dunn said that this process has been a positive process and they are delighted with the outcome. Mr. Dunn said that they are in the process of talking with bond insurers and those bids should be in about a week from now, which would possibly allow them to close the transaction in the month of September.

Dr. Schmidt closed out the presentation by responding to questions and comments from Board members.

Following Mr. Dunn's presentation, Mr. Harrison said the Finance Committee agreed unanimously to recommend to the full Board that Resolution No. 3 be adopted as presented.

ACTION: MR. HARRISON MADE A MOTION TO APPROVE RESOLUTION NO. 3 WHICH FOLLOWS. SECONDED BY MR. OWEN, RESOLUTION NO. 3 WAS APPROVED.

RESOLUTION NO. 3

RESOLUTION RELATING TO THE ISSUANCE BY THE TROY PUBLIC EDUCATIONAL BUILDING AUTHORITY OF REVENUE BONDS TO FINANCE STUDENT HOUSING FACILITIES FOR STUDENTS OF THE TROY CAMPUS OF TROY UNIVERSITY; AUTHORIZING THE EXECUTION AND DELIVERY BY THE UNIVERSITY OF A YEAR-TO-YEAR SUBLEASE AGREEMENT OF SUCH FACILITIES AND APPROVING THE INITIAL TERM OF SUCH SUBLEASE; AUTHORIZING THE USE OF UNIVERSITY-RELATED INFORMATION IN THE OFFERING DOCUMENTS FOR SUCH BONDS; UNDERTAKING THE CONTINUING DISCLOSURE OBLIGATION IN RESPECT OF SUCH BONDS; AND RELATED MATTERS.

WHEREAS, the Board of Trustees (the "Board") of Troy University (the "University"), a public corporation and instrumentality of the State of Alabama (the "State"), by Resolution No. 2 heretofore adopted by the Board on March 10, 2006, authorized the Chancellor of the University (the "Chancellor") to negotiate and enter into arrangements for the construction of a new apartment complex by means of "off-balance sheet" financing through Troy University Foundation (the "Foundation"), the same to be managed by a limited liability company established through the Foundation; and

WHEREAS, on July 28, 2006, the Foundation did, pursuant to resolution adopted by the board of the Foundation on March 9, 2006, form and establish under State law a limited liability company known as Troy University Housing, LLC (the "Company"); and

WHEREAS, the Chancellor has heretofore caused the City of Troy, Alabama (the "City") to incorporate The Troy Public Educational Building Authority (the "Issuer") as a public corporation and political subdivision under the laws of the State, and in particular Chapter 18, Title 16, Code of Alabama 1975, as amended (the "Issuer Act"); and

WHEREAS, the Issuer is authorized and empowered under the Issuer Act to sell and issue its revenue bonds to provide funds for any corporate function, use or purpose of the Issuer, which include the planning, development, acquisition and construction of "ancillary improvements in connection with educational institutions", within the meaning of the Issuer Act; and

WHEREAS, by resolution duly adopted on July 12, 2006 (the "Bond Resolution"), the Issuer has heretofore authorized the issuance, sale and delivery, pursuant to the Issuer Act, of up to $27,500,000 aggregate principal amount of its Dormitory Revenue Bonds (Troy University Housing, LLC Project) Series 2006A (the "Series A Bonds") and up to $1,500,000 aggregate principal amount of its Taxable Dormitory Revenue Bonds (Troy University Housing, LLC Project) Series 2006B (the "Series B Bonds", and collectively with the Series A Bonds, the "Bonds"), in order to provide funds for the undertaking of "ancillary improvements" (within the meaning of the Issuer Act) consisting of the following elements:

(1) the purchase by the Company from the University of an approximately 5.97-acre parcel of real property located within the corporate limits of the City, bounded to the North by University Avenue, to the West by Folmar Street, to the South by Collegedale Street and to the East by the campus of the University, said property being herein referred to as the "Project Site";

(2) the ground lease of the Project Site by the Company to the Issuer;

(3) the construction, furnishing and equipping by the Company on the Project Site of four, four-story residential buildings, together with parking and other facilities and amenities incidental thereto (the "Project");

(4) the lease of the Project, on a capital-lease basis, by the Issuer to the Company; and

(5) the sublease of the Project, on a year-to-year, triple-net, operating-lease basis, by the Company to the University, for operation and use by the University as student housing facilities for the students of the University; and

WHEREAS, the University is desirous that the Issuer proceed with the issuance of the Bonds for the aforesaid purpose and that the Company proceed with the acquisition, construction, furnishing and equipping of the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF TROY UNIVERSITY, as follows:

Section 1. The Board does hereby find and determine that: (a) the University constitutes an "educational institution" within the meaning of the Issuer Act; (b) it is expected that the Project will, when completed, constitute "ancillary improvements" within the meaning of the Issuer Act; and (c) the University is the "educational institution" in connection with which the Project is being undertaken.

Section 2. The University hereby generally approves the issuance by the Issuer of the Bonds and the application of the proceeds of the Bonds for the purpose, among others, of providing funds to the Company for the acquisition, construction, furnishing and equipping of the Project.

Section 3. The University hereby generally approves the terms and provisions of the documents prepared and to be prepared in connection with the issuance of the Bonds and the undertaking and operation of the Project, including without limitation (a) a Trust Indenture to be dated as of September 1, 2006 (the "Indenture"), between the Issuer and the financial institution named therein as trustee (the "Trustee"); (b) a Ground Lease to be dated as of September 1, 2006 (the "Ground Lease"), from the Company, as ground lessor, to the Issuer, as ground lessee, with respect to the Project Site; (c) a Lease Agreement to be dated as of September 1, 2006 (the "Lease Agreement"), between the Issuer and the Company with respect to the Project; (d) a Project Development Agreement (the "Development Agreement") between the Company and AUDG Alabama, LLC, an Alabama limited liability company (the "Developer"), relating to the construction, furnishing and equipping of the Project; and (e) a Sublease Agreement to be dated as of September 1, 2006 (the "Sublease Agreement"), between the Company and the University, pursuant to which the University will sublease the Project from the Company on a year-to-year, triple-net, operating-lease basis.

The University hereby approves the Lease Agreement and the Sublease Agreement, in accordance with and for all purposes of the final paragraph of Section 16-18-1 of the Issuer Act.

Section 4. This Board acknowledges the presentation made at this meeting by the Developer with respect to the Project, as the same has been most recently updated. As so updated, the Project is currently expected to be comprised of 524 beds in total, with the following unit mix:

56 2BR/1BA units with 112 beds,
101 4BR/2BA units with 404 beds, and
7 resident staff units with 8 beds.

The units are to be located on the Project Site in four, four-story residential buildings, aggregating approximately 197,000 square feet, and the Project is expected to provide parking for approximately 241 vehicles. The Project is currently expected to be completed and available for occupancy for the Fall 2007 academic year. It is still the expectation that the total hard costs of the Project will not exceed $17,000,000.00.

Based on the foregoing, this Board hereby reaffirms its general approval of the Project, and in furtherance of the March 10, 2006 resolution of this Board, hereby authorizes the Chancellor to continue providing oversight and input to the Company in the process of negotiating and finalizing the Development Agreement, wherein many of the firm and final details relating to the Project will be enunciated.

Section 5. The University hereby authorizes the Chancellor to negotiate and finalize the specific terms and provisions of the Sublease Agreement, and hereby further authorizes (a) the Chancellor to execute and deliver the Sublease Agreement in such final form and content as the Chancellor shall have negotiated, and (b) the Chancellor and/or the Treasurer of the University (the "Treasurer") to execute and deliver such other instruments and certificates on the part of the University as may be required in connection with the closing of the Bonds (all such instruments and certificates being herein, for convenience of reference, collectively referred to as the "Closing Certificate"). The Board hereby approves the initial Annual Term of the Sublease Agreement, which will run from the date of issuance of the Bonds (the "Issue Date") to and including September 30, 2006. The Board hereby authorizes the Chancellor, in his discretion, to determine whether or not to exercise the first option to renew the Sublease Agreement for an additional Annual Term beginning on October 1, 2006 and continuing until and including September 30, 2007. The Board hereby reserves unto itself the right and power to determine, in its discretion, whether or not to exercise any subsequent option to renew the Sublease Agreement for an additional Annual Term.

Section 6. The Board hereby authorizes that there be paid to the Trustee on the Issue Date, for deposit to the credit of the Prepaid Rental Account to be established and held by the Trustee under the Indenture, a sum of money, the precise amount of which the Chancellor and Treasurer are hereby authorized and entrusted to determine, in consultation with Merchant Capital, L.L.C., Montgomery, Alabama, as underwriter for the Bonds (the "Underwriter"), and with Roy S. Goldfinger, P.C., Montgomery, Alabama, as bond counsel for the Bonds ("Bond Counsel"), and to set forth in the Closing Certificate. Notwithstanding the foregoing, in the event the Chancellor (as hereinabove authorized) elects not to renew this Sublease Agreement for the Annual Term that would otherwise commence on October 1, 2006, the sum so deposited in the Prepaid Rental Account, together with any investment earnings thereon, shall promptly be refunded by the Trustee to the University.

Section 7. This Board hereby authorizes and approves the use and inclusion of information relating to the University, including without limitation the audited financial statements of the University for the fiscal year ended September 30, 2005, within a Preliminary Official Statement (the "POS") and a final Official Statement (the "Official Statement"), both relating to the Bonds and being prepared by the Underwriter and others. This Board hereby further authorizes the distribution and use of the POS and the Official Statement by the Underwriter in the offering and sale of the Bonds. This Board further authorizes the Chancellor, in the Closing Certificate, to "deem final", for purposes and within the meaning of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"), the POS as of its date and to make such other and further representations with respect to the POS and Official Statement as may be customary and desirable.

Section 8.

(a) The University makes the covenants set forth in this Section 8 as an agreement (this "Continuing Disclosure Agreement") for the benefit of the holders and beneficial owners from time to time of the Bonds, in accordance with the requirements of the Rule, with terms used in this Section having the meanings given to them or incorporated by reference in the Rule.

(b) The University undertakes to provide, either directly or indirectly through the Trustee or such other agent as the University may designate from time to time:

(i) To each "nationally recognized municipal securities information repository" ("NRMSIR") and to the information depository (if any) from time to time designated by the State ("SID"), within 180 days following the end of each fiscal year of the University, unaudited annual financial information concerning the University, which shall be internally prepared by appropriate officials of the University in conformity with accounting principles generally accepted in the United States of America;

(ii) To each NRMSIR and to the SID, when and if available, audited financial statements of the University, provided such audit may be conducted by the State Department of Examiners of Public Accounts or any successor agency thereto;

(iii) To each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), at 1900 Duke Street, Suite 600, Alexandria, VA 22314-3412 (or at such different address as MSRB may have from time to time), and to the SID, notice in a timely manner of any of the following events, within the meaning of the Rule, with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the Tax-Exempt status of any Bonds issued on a Tax-Exempt basis (where "Tax-Exempt" means that interest thereon is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended); (7) modifications to rights of holders of Bonds; (8) bond calls; (9) defeasances; (10) release, substitution or sale of property securing repayment of the Bonds; and (11) rating changes; and

(iv) To each NRMSIR and to the SID, notice in a timely manner of a failure of the University to provide the annual financial information referenced in subsection (i) above within the period of time therein specified.

(c) The exclusive remedy for any breach of this Continuing Disclosure Agreement by the University shall be limited, to the extent permitted by law and as hereinafter provided, to a right of holders and beneficial owners, or the Trustee, to cause proceedings in equity to be instituted and maintained to obtain the specific performance by the University of its obligations hereunder. Any individual holder or beneficial owner may institute and maintain, or cause to be instituted and maintained, such proceedings to require the University to provide or cause to be provided a pertinent filing if such filing is due and has not been made. Any such proceedings to require the University to perform any other obligation under this Continuing Disclosure Agreement (including any proceedings that contest the sufficiency of any pertinent filing) shall be instituted and maintained only by the Trustee, which may institute and maintain any such proceedings in its discretion and shall do so, subject to the same conditions, limitations and procedures that would apply under the Indenture if the breach were a default thereunder, at the direction of the holders of at least 60% in aggregate principal amount of the Bonds then outstanding, excluding any Bonds held by or for the account of the University. Any failure of the University to comply with the provisions of this Continuing Disclosure Agreement shall not be a default under the Indenture.

(d) This Continuing Disclosure Agreement may be amended, and noncompliance by the University with any provision of it may be waived, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law or change in the identity, nature or status of the University or the type of business conducted by the University. Any such amendment or waiver shall not be effective unless this Continuing Disclosure Agreement (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until either (i) the University and the Trustee shall have received a written opinion of Bond Counsel or other qualified independent special counsel selected by the Trustee, or the Trustee shall have determined, that the amendment would not materially impair the interests of holders or beneficial owners of the Bonds, or (ii) the Trustee shall have received the written consent to the amendment or waiver of the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, excluding any Bonds held by or for the account of the University.

(e) The obligations of the University under this Continuing Disclosure Agreement shall remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) the University remains an obligated person with respect to the Bonds within the meaning of the Rule. For purposes of this subsection (e) and the Rule, the University will cease to be an obligated person with respect to the Bonds, and the University's obligations under this Continuing Disclosure Agreement shall terminate, in the event the University at any time while the Bonds remain outstanding elects not to renew the Sublease Agreement; provided, however, that the University shall give written notice of such termination to each NRMSIR, to MSRB and to the SID (if any).

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Passed by the Board of Trustees of Troy University this 4th day of August, 2006.

_____
President pro tempore of the Board
of Trustees

(S E A L)

Attest:_____
Secretary of the Board
of Trustees

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(The following is a Summary of Resolution No. 3 referenced above by Mr. Goldfinger as being previously provided to the Board members in the agenda packet sent out by mail prior to the meeting.)

SUMMARY OF SALIENT PROVISIONS:
PROPOSED RESOLUTION RELATING TO
STUDENT HOUSING AND HOUSING-RELATED FACILITIES

At the meeting of **August 4, 2006**, the Board of Trustees of Troy University (the "University") will be asked to consider and approve a Resolution to be entitled substantially as follows:

> "**RESOLUTION RELATING TO THE ISSUANCE BY THE TROY PUBLIC EDUCATIONAL BUILDING AUTHORITY OF REVENUE BONDS TO FINANCE STUDENT HOUSING FACILITIES FOR STUDENTS OF THE TROY CAMPUS OF TROY UNIVERSITY; AUTHORIZING THE EXECUTION AND DELIVERY BY THE UNIVERSITY OF A YEAR-TO-YEAR SUBLEASE AGREEMENT OF SUCH FACILITIES AND APPROVING THE INITIAL TERM OF SUCH SUBLEASE; AUTHORIZING THE USE OF UNIVERSITY-RELATED INFORMATION IN THE OFFERING DOCUMENTS FOR SUCH BONDS; AND RELATED MATTERS**"

(herein, the "Resolution"). The Resolution signals the anticipated commencement of the development of a **new student apartment complex** adjacent to the Troy Campus (herein, the "Project") by means of **"off-balance sheet" financing**, which this Board authorized the Chancellor to negotiate by previous resolution adopted March 10, 2006.

As its title suggests, the Resolution will endorse the upcoming issuance by The **Troy Public Educational Building Authority**, an entity newly formed with the cooperation of the City of Troy (the "Authority"), of its revenue bonds (the "Bonds"), the proceeds of which will provide funds to **Troy University Housing, LLC**, a limited liability company established by the University Foundation (the "LLC"), for the acquisition, construction, furnishing and equipping of the Project.

In addition to generally approving the Project, the Bonds and certain documents relating to the Bonds, the Resolution will authorize the execution and delivery by the University of (i) a **Sublease Agreement to be entered into between the LLC and the University (the "Sublease")**, pursuant to which the University will sublease the Project from the LLC on a year-to-year, triple-net, operating-lease basis; and (ii) such other instruments and certificates on the part of the University as may be required in connection with the closing of the Bonds. **Neither the Bonds nor the Sublease (except for any fiscal year for which the same shall have been renewed and be in effect) will be general obligations of the University, and the University will have the annual option, at its sole discretion, to renew or not to renew the Sublease.**

The Resolution will approve the **initial term of the Sublease**, to expire at the close of the 2005-2006 fiscal year, and will authorize the Chancellor of the University, in his discretion, to determine whether or not to exercise the first renewal option for the 2006-2007 fiscal year. The Resolution will authorize the deposit by the University, into a "**prepaid rental account**" to be held by the trustee for the Bonds, of a sum of money, the precise amount of which the Resolution will entrust the Chancellor and Treasurer, in consultation with Merchant Capital, L.L.C., Montgomery, Alabama, as underwriter for the Bonds (the "Underwriter"), and with Roy S. Goldfinger, P.C., Montgomery, Alabama, as bond counsel for the Bonds ("Bond Counsel"), to determine.

The Resolution will authorize the inclusion of information relating to the University, including without limitation the audited financial statements of the University for the fiscal year ended September 30, 2005, within a Preliminary and final **Official Statement** to be prepared and distributed by the Underwriter in connection with the marketing of the Bonds.

In addition to the foregoing provisions, the University will, in the Resolution, covenant to provide certain **continuing financial disclosures** relative to the Bonds, as required by Securities and Exchange Commission Rule 15c2-12, but only for so long as the University shall renew the Sublease.

3. College of Education

a. **Resolution No. 4—Bond Funding for College of Education Building**

Mr. Harrison called on Dr. Doug Patterson to brief the Board on Resolution No. 4. Dr. Patterson explained that in May 2007 Dill Hall will be razed to make room for the new College of Education Building, which will be a 60,000 square foot building. The cost for the project will be no more than $10M and the resolution will authorize the Chancellor to pursue funding on this building. Dr. Patterson responded to questions and comments by Board members.

There being no further discussion, Mr. Harrison, on behalf of the Finance Committee, recommended Resolution No. 4 for adoption by the Board.

ACTION: ON A MOTION MADE BY MR. HIGGINS, WITH A SECOND PROVIDED BY SENATOR DIAL, THE FOLLOWING RESOLUTION NO. 4 WAS ADOPTED BY THE BOARD.

Resolution No. 4

College of Education Facility

WHEREAS, the College of Education of Troy University (the "University") has experienced significant growth in the numbers of students attending the Troy campus of the University, undergraduate and graduate, who have chosen to concentrate in this field of study; and

WHEREAS, the increased interest in this field of study has spurred the need for additional classroom and related facilities at the Troy campus; and

WHEREAS, the Chancellor and senior administrative staff of the University have investigated various options for addressing this need for new facilities, as part of which a financial analysis has been undertaken to evaluate the costs and benefits of the various options; and

WHEREAS, the Chancellor and staff have reached certain conclusions as to the optimal size and composition of such additional facilities for the College of Education and the current estimated costs thereof, which are not expected to exceed $10,000,000, and have further concluded that the most advantageous method of financing such costs would be through the issuance by the University of bonded indebtedness on a federally tax-exempt basis, secured by a pledge of the University's general student fee revenues.

THEREFORE, BE IT RESOLVED by the Board of Trustees of the University this 4th day of August, 2006, that the Chancellor be and is hereby authorized and directed to proceed with the development of detailed plans for the construction and equipping at the Troy campus of new classroom and related facilities for the College of Education at a total cost not to exceed $10,000,000 (the "Project").

BE IT FURTHER RESOLVED that the Chancellor be and is hereby authorized and directed to negotiate the sale of bonds for the Project, along the lines described above, in an aggregate principal amount commensurate with the estimated cost thereof.

BE IT FINALLY RESOLVED that, in the event that all or any portion of the costs of the Project may be financeable on a federally tax-exempt basis, the Board of Trustees hereby determines that this resolution is intended to and shall constitute the University's "official intent" (within the meaning of Section 1.150-2 of the Regulations under the Internal Revenue Code of 1986, as amended (the "Code")) with respect to so much of the Project as may be so financeable and with respect to the issuance of the University's bonds in an amount equal to so much of the $10,000,000 estimated cost of the Project set forth above as may be issuable on a federally tax-exempt basis. To the extent that reimbursement to the University of costs incurred and paid by the University or others toward the Project is permitted, under the Code and the Regulations of the Internal Revenue Service, to be made from proceeds of such bonds, such reimbursement is intended and authorized hereby.

4. Distance Learning

a. **Resolution No. 5—Approval of the Secure Exam Contract with Software Secure**

Mr. Harrison introduced Resolution No. 5 and called on Dr. Ed Roach, Executive Vice Chancellor and Provost, who gave brief comments about the proposed *Secureexam* Remote Proctor Secure System. He said Board approval is being sought to authorize the Chancellor to negotiate and enter into an agreement with Software Secure, Inc. to manufacture and market a remote proctoring system to proctor student taking courses in Distance Learning (DL) or DL formats. Dr. Roach explained why such a proctoring system is important to the university, particularly as to how it relates to meeting accreditation standards that relate to DL students. In summary, Dr. Roach stated that if the university invests $1.1M in the manufacture of the first 10,000 units, in addition to a good potential return on that investment, we have the opportunity to position Troy University as a national leader in Distance Education quality assurance as well as to expand our domestic and international DL growth potential. Dr. Dave White, Interim Director of *eCampus,* was called on to further explain the Secure Exam remote proctor. Following his presentation, Dr. White responded to questions and comments from Board members.

Following discussion, Mr. Harrison reported that the Finance Committee unanimously recommends that Resolution No. 5 be adopted.

ACTION: A MOTION TO ADOPT RESOLUTION NO. 5 WAS MADE BY MR. HARRISON. A SECOND WAS MADE BY SENATOR DIAL. THERE BEING NO FURTHER DISCUSSION, RESOLUTION NO 5 WHICH FOLLOWS WAS APPROVED.

Resolution No. 5

Approval of the Secure Exam Contract with Software Secure

Ratification of the Board of Trustees Decision to Invest in the Initial Manufacturing of a *Securexam* Remote Proctor System Device with Software Secure, Incorporated

WHEREAS, Troy University has extensive and growing enrollments offered in distance education; and

WHEREAS, the SACS Commission on College's Best Practices for distance education delivery requires authentication to determine "a firm student identification" when taking an online examination; and

WHEREAS, these Best Practices for distance education student authentication are embraced by universities and colleges associated with other regional accrediting bodies; and

WHEREAS, there is no technology currently available to universities to provide such student

authentication, particularly for students enrolled outside the U.S.; and

WHEREAS, Troy University has engaged a company with a proven capability to provide software-based secure examinations and the means to add a unique technological component providing for visual and fingerprint verification of a student's identify when connected to the student's computer located anywhere in the world; and

WHEREAS, the remote proctoring system has be independently tested by Integrated Computer Systems to verify its technical feasibility; and

WHEREAS, the return to Troy University on its initial investment of $1.1 million has the potential of being as high as $3 million in the first five years of sales and royalties that would accrue; and

WHEREAS, the introduction of the remote proctoring system device can clearly position Troy University as a national leader in distance education quality assurance with regional and specialized accrediting bodies.

THEREFORE, BE IT RESOLVED THAT by the Board of Trustees on this 4th day of August 2006 that Dr. Jack Hawkins, Jr., Chancellor, has the authority to negotiate and enter into an agreement with Software Secure, Incorporated for the construction of a remote proctoring system device, and rights associated with participating as the sole institution of higher education initial investor in the development of a system using that device, to proctor examinations offered in distance education formats.

Concluding his report, Mr. Harrison said great strides have been made by the Board and the university, but he said there are still about three initiatives that need to be done. He said that the following three things needs to be put on the "front burner" and they are: (1) completion of baseball facility, (2) the Bibb Graves project, and (3) a new arena. He challenged the Board to move forward on these initiatives.

B. Academic Committee, Senator Gerald Dial

1. Resolution No. 6—Commending Retiring Faculty and Staff

Senator Dial introduced Resolution No. 6 and moved that it be approved. He also commented on the doctoral program initiative and is pleased to see it moving forward.

ACTION: ON A MOTION BY SENATOR DIAL AND SECONDED BY DR. ANDREWS, RESOLUITON NO. 6 COMMENDING RETIRING FACULTY AND STAFF WAS APPROVED.

Resolution No. 6

Commending Retiring Faculty and Staff

WHEREAS, the following Troy University faculty and staff members retired on the specified date:

FACULTY: Ms. Judith R. Cooper, Assistant Professor of Nursing, Montgomery, June 1, 2006; Dr. Steven J. Cross, Professor, Sorrell College of Business, Dothan Campus, August 1, 2006; Ms. Carolsue Holland, Professor of Arts and Sciences, University College, Fort Benning, June 1, 2006; Dr. Theodore M. Kluz, Adjunct Professor, Arts and Sciences, Montgomery Campus, August 1, 2006; Dr. Donald E. Rosenhoover, Associate Professor, University College, Pensacola, August 1, 2006; Dr. Suzanne P. Stokes, Associate Professor, Nursing, Troy, July 1, 2006.

STAFF: Mrs. Rebecca Davis, Financial Aid Tech II, Troy, March 1, 2006; Mrs. Beverly N. Duncan, Inventory Specialist, Purchasing, Troy, July 1, 2006; Mrs. Audrey L. Milton, Department Secretary I, Criminal Justice and Social Sciences, Troy, August 1, 2006; Mrs. Edna S. Railey, Department Secretary I, Information Technology, Troy, July 1, 2006; Ms. Julia Smith,

Director, Library Services, Dothan, March 1, 2006.

THERFORE, BE IT RESOLVED that this Board express to these faculty and staff members sincere appreciation for loyal and conscientious service to the university and wish them health and happiness in their retirement.

BE IT FURTHER RESOLVED, that an appropriate certificate be sent to the aforementioned as evidence of this recognition of his/her service to the university.

C. Presentation on Capital Campaign

President Pro Tem Hawkins called on Dr. Cam Martindale, Senior Vice Chancellor for Advancement and External Relations, to provide a report on the Capital Campaign. To begin her presentation, a short video was shared with Board members. Dr. Martindale gave a brief on the Feasibility Study and the development of the Case Statement. She then introduced June Bradham of Corporate DevelopMint to continue the briefing.

D. Athletics Committee, Mr. Allen Owen

1. Athletics Update

Mr. Owen called upon Mr. Steve Dennis, Athletics Director, to provide an update on activities in the athletics area. Mr. Dennis gave an update on NCAA certification and said that the final report was submitted in January. A Peer Review Team visited the university is May and we were certified unconditionally. Information was shared on International Sports Products (ISP) and the agreement entered into with ISP. He explained that ISP is an exclusive multimedia rightsholder company working with 35 major universities across the country, and ISP will work to promote the university's "brand." This initiative will help increase revenues coming into athletics. The 2006 and 2007 football schedules were shared. It was noted that in 2007 the Trojans will host Oklahoma State, Florida Atlantic, North Texas, Louisiana-Monroe and Middle Tennessee. Mr. Dennis also reported that in 2008 TROY will play LSU and Ohio State. The 2006-2007 basketball was shared as well. He further reported on the USTA Professional Tennis Tournament events scheduled for October 3-8, with qualifying dates set for October 1-2. The NIRA Rodeo is set for October 12-14 and teams from all over the Ozark Region will participate. In conclusion, an update was given on soccer.

VI. Adjournment

ACTION: ON A MOTION BY MR. OWEN AND SECONDED BY MR. HIGGINS, THE MEETING ADJOURNED.

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R. Douglas Hawkins, D.V.M.
President Pro Tempore of the Board of Trustees
Troy University

Jack Hawkins, Jr., Ph.D.
Secretary, Board of Trustees
and Chancellor, Troy University