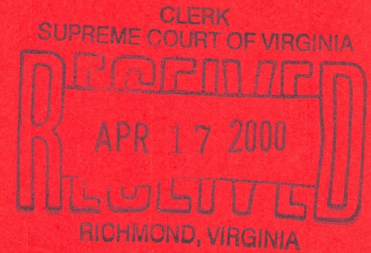


260Vd608

IN THE
Supreme Court of Virginia
AT RICHMOND

Record No. 992099



VIRGINIA COLLEGE BUILDING AUTHORITY,

Appellant,

v.

BARRY LYNN, ET AL.,

Appellees.

**JOINT APPENDIX
VOLUME ONE**

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Barry Lynn and Other Virginia
Members of Americans United
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VIRGINIA:
IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

VIRGINIA COLLEGE BUILDING
AUTHORITY,

Plaintiff,

v.

STATUTORY DEFENDANTS
PURSUANT TO VIRGINIA CODE §15.2-
2600 ET SEQ., TO WIT, TAXPAYERS,
PROPERTY OWNERS AND CITIZENS
OF THE COMMONWEALTH OF
VIRGINIA. INCLUDING
NONRESIDENTS OWNING PROPERTY
OR SUBJECT TO TAXATION THEREIN,
AND ALL OTHER PERSONS
INTERESTED IN OR AFFECTED IN
ANY WAY BY THE ISSUANCE BY THE
VIRGINIA COLLEGE BUILDING
AUTHORITY OF REVENUE BONDS
NOT TO EXCEED \$55,000,000, TO BE
ISSUED IN ONE OR MORE SERIES
FROM TIME TO TIME, TO FINANCE
THE PLAN OF FINANCING OF REGENT
UNIVERSITY,

Defendants.

LAW # _____

MOTION FOR JUDGMENT

Plaintiff, the Virginia College Building Authority (the "VCBA"), pursuant to the Public Finance Act of 1991 (Va. Code §15.2-2600 et seq.), hereby seeks a final order validating the following:

1. Certain of the VCBA's conduit revenue bonds, to be issued in one or more series from time to time, in an amount not to exceed \$55,000,000 (the "Conduit Bonds") based upon the credit of Regent University ("Regent" or "University") for the purpose of:

a. enabling Regent, a non-profit institution for post-baccalaureate education located in Virginia Beach, Virginia, to provide certain educational structures and related facilities for higher education within the Commonwealth of Virginia consistent with the goals of the Virginia Educational Facilities Authority Act (Va. Code §23.30.39 et seq.) (the "VEFA Act"), including the following projects: (i) financing for a new campus in Northern Virginia, to house classrooms and supporting administrative space for several of the University's graduate colleges and schools, (ii) financing for new facilities located on the main campus in Virginia Beach, consisting of a new communications and arts complex and an events center, and (iii) refinancing of student housing on the main campus in Virginia Beach (previously financed with tax-exempt bonds issued and validated in 1984 through the City of Virginia Beach Development Authority) (collectively "the Projects"),

b. paying the costs of issuing the Conduit Bonds, and

c. funding certain reserve funds as may be necessary for the Conduit Bonds;

and

2. All proceedings heretofore taken in connection with the authorization and issuance of the Conduit Bonds for the University, including the actions taken by the VCBA.

IN CONNECTION THEREWITH, the VCBA states as follows:

1. The VCBA is a duly created public body corporate and political subdivision and agency and instrumentality of the Commonwealth of Virginia, and is organized pursuant to the Virginia College Building Authority Act of 1966 (Va. Code §23-30.23 et seq.) (the "VCBA Act"). Under the VCBA Act, the VCBA is authorized to exercise all of the powers set forth in the VEFA Act (together with the VCBA Act, the "Act").

2. The VCBA, consistent with its statutory authority, has approved Regent's application for the Conduit Bonds and authorized their issuance, subject to validation and certain resolution conditions and actions prescribed by law at the time of issuance. Subject to these conditions, the Conduit Bonds will be issued at one time or from time to time to provide financing or refinancing for the Projects through a plan of financing (the "Plan of Financing"). The issuance of the Bonds will assist the University in the acquisition, construction, financing and refinancing of the Projects which are educational facilities and structures that are sorely needed for the higher educational goals of the Commonwealth of Virginia.

3. The Conduit Bonds will not provide direct aid to Regent, and no taxpayer monies will be expended by their issuance or as a result thereof.

4. The Conduit Bonds will not represent a debt of the Commonwealth and will not be repaid from any public monies. Rather, the Conduit Bonds will be limited, or special, obligations of the VCBA repayable solely from monies or other security provided by Regent for such purpose. The VCBA's role in the financing is solely as a conduit, issuing the Conduit Bonds for Regent based upon Regent's credit, thereby making it possible for the such bonds to be "tax-exempt." The tax-exempt status of the Conduit Bonds will result from the fact that investors are not required to include in their gross income for federal (and for Virginia residents, state) income tax purposes, the interest income they receive on the Conduit Bonds. As required by the Act, the Conduit Bonds will not pledge the credit or the taxing power of the Commonwealth of Virginia or the VCBA.

5. As required by the VCBA's conduit bond program, Regent will enter into an agreement with the VCBA under the terms of which Regent will pledge its general obligation for the Conduit Bonds and will agree to comply with such covenants and to pledge such collateral as

may be necessary for credit purposes and are consistent with the Act and standing VCBA guidelines. Regent will pledge to the VCBA that it will make available funds which will be sufficient to pay debt service on and to fund any necessary reserve funds for the Conduit Bonds. Regent will also agree to provide an equity contribution to fund any use of bond-financed facilities that does not conform to the requirements of the Act.

6. Regent is an institution for higher education, whose primary purpose is to provide graduate education and not to provide religious training or theological education, as required by the Act.

7. Regent University is a non-profit private institution for higher education offering graduate level degrees only. Its main campus is located in Virginia Beach, Virginia. The University is organized into seven schools, plus a center for leadership studies. Regent offers more than 20 graduate degrees through eight major graduate programs, all of which are fully accredited. These programs include business, law, communications and arts, counseling and human services, divinity, education, government, and leadership studies. Regent is accredited by the Southern Association of Colleges and Schools. In addition, Regent's law school is accredited by the American Bar Association.

8. In accordance with the commitment referenced in Paragraph 5 above regarding an equity contribution, no proceeds of the Conduit Bonds will be used by the University to provide any facility used or to be used for sectarian instruction or as a place of religious worship, including any chapel and the like, or any facility used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination; in particular, the proceeds will not be used to provide facilities for the University's Divinity School.

9. On April 24, 1999, the Board of Trustees of Regent University ("the Board") passed a resolution which, among other things:

a. approved the issuance of the Conduit Bonds pursuant to the Plan of Financing and the Validation in connection therewith;

b. ratified and confirmed the decision of the University to issue the Conduit Bonds through the VCBA, and the conduct of the Validation by the VCBA;

c. authorized the President, the Vice President for Operations and Finance and such members of the University's administration as either of them may appoint to execute and deliver any and all certificates, instruments and documents and take any and all such further actions as they may consider necessary or desirable in connection with the Plan of Financing and the issuance of the Conduit Bonds;

d. ratified and confirmed as the act of the University any and all other actions of the officers of the University or members of the University's administration that are in conformity with the purpose or intent of the resolution.

10. The VCBA has the power and authority under the Act to undertake the issuance of the Conduit Bonds. For the reasons stated in the Memorandum of Law in Support of this Motion to be filed prior to July 19, 1999, the issuance of the Conduit Bonds is permissible under the Act, as well as federal and state constitutional law.

11. As required by the Act, the VCBA duly published a notice of public hearing on June 8 and 15, 1999.

12. On June 22, 1999, the VCBA, consistent with its statutory authority, adopted a resolution approving Regent's application for the Conduit Bonds and authorizing their issuance,

subject to validation and certain resolution conditions and actions prescribed by law at the time of issuance.

13. At the June 22, 1999 meeting, the VCBA adopted a resolution (the "VCBA Resolution") which, among other things:

- a. approved the University's application for the conduit bond program;
- b. subject to Validation, the conditions described in the resolution and approval of the final financing structure and legal document by the VCBA, authorized the issuance of the Conduit Bonds and the loan of the proceeds from the sale thereof to the University to assist in the Plan of Financing;
- c. required, pursuant to §23-30.41 of the Virginia Code, that no proceeds of the Conduit Bonds will be used by the University to provide:
 - i. any facility used or to be used for sectarian instruction or as a place of religious worship, including any chapel and the like; or
 - ii. any facility used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination; in particular, the proceeds will not be used to provide facilities for the University's Divinity School;
- d. authorized and directed the Chairman, Vice-Chairman or the Treasurer of the VCBA, any of whom may act, to execute and deliver the various documents and instruments (the "Documents") that will be prepared and filed pursuant to certain proceedings before the Circuit Court of the City of Richmond, Virginia, and to take such other actions as are necessary or proper in connection with the Validation, and authorized the Secretary or Assistant Secretary of the VCBA to affix the seal of the VCBA to the Documents and attest the same by his or her signature;

e. approved, ratified and confirmed all actions of the officers and staff of the VCBA, Bond Counsel and VCBA Counsel that are in conformity with the purposes or intent of the VCBA Resolution and the Validation;

f. agreed that the University may proceed with the Plan of Financing, enter into contracts for the Plan of Financing and take such other steps as it may deem appropriate in connection therewith; provided, however, that nothing in the VCBA Resolution shall be deemed to authorize the University to obligate the VCBA without its consent in each instance to the payment of any moneys or the performance of any acts in connection with the Plan of Financing. The VCBA agrees that the University may be reimbursed from the proceeds of the Conduit Bonds, if and when issued, for all expenditures and costs so incurred by it, provided such expenditures and costs are properly reimbursable under the Act and applicable federal laws; and

g. confirmed that all costs and expenses in connection with the Plan of Financing and the Validation, including without limitation the fees and expenses of Bond Counsel and VCBA Counsel, shall be paid by the University or, to the extent permitted by applicable law, from the proceeds of the Conduit Bonds, if and when issued, and, if for any reason the Conduit Bonds are not issued, it is understood that all such expenses shall be paid by the University and that the VCBA shall have no responsibility for them.

WHEREFORE, in accordance with Va. Code §15.2-2600 et seq., the VCBA respectfully requests that this Court:

1. Enter an Order in the form of the attachment, requiring the publication of this Motion for Judgment once a week for two consecutive weeks in the *Richmond Times Dispatch*, fixing a time and place for hearing the proceeding, and informing any party defendant of the

right to reply to the Motion for Judgment within ten days after the second publication of the Motion for Judgment, which Order shall be published with this Motion for Judgment;

2. Grant a prompt hearing and, with the least possible delay, enter a final order or decree determining and declaring that:

a. the VCBA has all necessary power and authority to issue the Conduit Bonds on behalf of Regent to finance the Plan of Financing;

b. all proceedings heretofore taken by the VCBA and Regent in connection with the authorization or issuance of the Conduit Bonds, including the adoption of the resolutions referenced in this Motion by the VCBA and Regent are legal and valid;

c. use of the proceeds of the Conduit Bonds to finance the Projects, as described in the Memorandum of Law in Support of the Motion for Judgment, is permissible under the Act, as well as United States and Virginia constitutional law;

d. the Conduit Bonds will be valid, legal and binding limited obligations of the VCBA, subject to the satisfaction of the conditions contained in the VCBA Resolution and the taking of any other actions prescribed by law at the time of their issuance; and

e. such additional matters as may be specifically requested by the parties or as the Court may deem appropriate shall be resolved.

Dated: June 29, 1999

Respectfully submitted,

VIRGINIA COLLEGE BUILDING AUTHORITY

By William G. Broadbent
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VIRGINIA:
IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

VIRGINIA COLLEGE BUILDING
AUTHORITY,

Plaintiff,

v.

STATUTORY DEFENDANTS
PURSUANT TO VIRGINIA CODE §15.2-
2600 ET SEQ., TO WIT, TAXPAYERS,
PROPERTY OWNERS AND CITIZENS
OF THE COMMONWEALTH OF
VIRGINIA, INCLUDING
NONRESIDENTS OWNING PROPERTY
OR SUBJECT TO TAXATION THEREIN,
AND ALL OTHER PERSONS
INTERESTED IN OR AFFECTED IN
ANY WAY BY THE ISSUANCE BY THE
VIRGINIA COLLEGE BUILDING
AUTHORITY OF REVENUE BONDS
NOT TO EXCEED \$55,000,000, TO BE
ISSUED IN ONE OR MORE SERIES
FROM TIME TO TIME, TO FINANCE
THE PLAN OF FINANCING OF REGENT
UNIVERSITY,

Defendants.

LAW # _____

ORDER

WHEREAS, the Virginia College Building Authority (the "VCBA"), pursuant to the Public Finance Act of 1991 (Va. Code §15.2-2600 et seq.), seeks a final order validating:

1. certain of the VCBA's revenue bonds, to be issued in one or more series from time to time, in an amount not to exceed \$55,000,000 (the "Conduit Bonds") based upon the credit of Regent University ("Regent" or "University") for the purpose of:

a. enabling Regent, an institution for post-baccalaureate education located in Virginia Beach, Virginia, to finance certain educational structures and related facilities pursuant

to the Virginia Educational Facilities Authority Act (Va. Code §23.30.39 et seq.);

- b. paying the costs of issuing the Conduit Bonds; and
- c. funding reserve funds as may be necessary for the Conduit Bonds; and

2. all proceedings taken in connection with the authorization and issuance of the Conduit Bonds for Regent University, including the actions taken by the VCBA;

WHEREAS, the VCBA has heretofore complied with all statutory obligations required to be completed prior to this Order by the Public Finance Act of 1991 (Va. Code §15.2-2600 et seq.), and has duly filed its Motion for Judgment;

THEREFORE, IT IS ORDERED THAT:

1. A hearing will be held on the VCBA's Motion for Judgment on Friday, July 30, 1999 at 2 p.m. in the Circuit Court for the City of Richmond in Richmond, Virginia; and

2. This Order and the Motion for Judgment shall be published once a week for two consecutive weeks in the *Richmond Times Dispatch*, with the date of the second publication being no later than July 19, 1999.

3. Any party defendant desiring to reply to the Motion for Judgment shall do so within ten days after the second publication of the Order and the Motion for Judgment.

Judge Randall G. Johnson

Entered: / /

WE ASK FOR THIS:

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Counsel for the VCBA

VIRGINIA:
IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

VIRGINIA COLLEGE BUILDING
AUTHORITY,

Plaintiff,

v.

STATUTORY DEFENDANTS PURSUANT TO
VIRGINIA CODE §15.2-2600 ET SEQ., TO WIT,
TAXPAYERS, PROPERTY OWNERS AND CITIZENS
OF THE COMMONWEALTH OF VIRGINIA,
INCLUDING NONRESIDENTS OWNING PROPERTY
OR SUBJECT TO TAXATION THEREIN, AND ALL
OTHER PERSONS INTERESTED IN OR AFFECTED
IN ANY WAY BY THE ISSUANCE BY THE
VIRGINIA COLLEGE BUILDING AUTHORITY OF
REVENUE BONDS NOT TO EXCEED \$55,000,000
TO BE ISSUED IN ONE OR MORE SERIES FROM
TIME TO TIME, TO FINANCE THE PLAN OF
FINANCING OF REGENT UNIVERSITY, INCLUDING
BARRY LYNN AND OTHER VIRGINIA MEMBERS
OF AMERICANS UNITED FOR SEPARATION OF
CHURCH AND STATE, FRANK FEIBELMAN, MARY
BAUER, AND BERNARD H. LEVIN

Defendants.

LAW #LF-1527

FINAL ORDER

This matter was heard on July 30, 1999. All procedural prerequisites having been met, the parties appeared before the Court and the matter was properly presented. Upon consideration of the evidence introduced at the hearing, and the written and oral arguments of the parties, the Court issued its ruling from the bench.

Accordingly, it is ORDERED, ADJUDGED AND DECREED that the Court finds in favor of the Defendants and the Motion for Judgment filed by the Plaintiff is DENIED for the reasons stated from the bench which are incorporated herein by reference. Final Judgment on the

Motion for Judgment is hereby entered for the Defendants. The Court further finds that Defendants' Counterclaim should be and is dismissed for reasons stated from the bench.

The Clerk is hereby directed to send attested copies to all counsel of record.

Entered on this 17th day of August, 1999.

A handwritten signature in black ink, appearing to read "Randall G. Johnson", written over a horizontal line.

Judge Randall G. Johnson

WE ASK FOR THIS:

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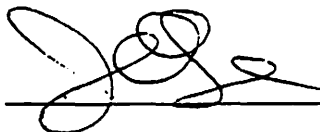
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Seen and objected to for the reasons stated in
Plaintiff's pleadings, briefs and oral argument, as noted:



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COPY

VIRGINIA:

IN THE CIRCUIT COURT OF THE CITY OF RICHMOND

JOHN MARSHALL COURTS BUILDING

VIRGINIA COLLEGE BUILDING AUTHORITY, :
Plaintiff, :

vs. :

LAW #LF-1527

STATUTORY DEFENDANTS PURSUANT TO :
VIRGINIA CODE SEC. 15.2-2600 ET SEQ., :
TO WIT, TAX PAYERS, PROPERTY OWNERS :
AND CITIZENS OF THE COMMONWEALTH OF :
VIRGINIA, INCLUDING NONRESIDENTS :
OWNING PROPERTY OR SUBJECT TO :
TAXATION THEREIN, AND ALL OTHER :
PERSONS INTERESTED IN OR AFFECTED IN :
ANY WAY BY THE ISSUANCE BY THE :
VIRGINIA COLLEGE BUILDING AUTHORITY :
OF REVENUE BONDS NOT TO EXCEED :
\$55,000,000 TO BE ISSUED IN ONE OR :
MORE SERIES FROM TIME TO TIME, TO :
FINANCE THE PLAN OF FINANCING OF :
REGENT UNIVERSITY, INCLUDING BARRY :
LYNN AND OTHER VIRGINIA MEMBERS OF :
AMERICANS UNITED FOR SEPARATION OF :
CHURCH AND STATE, FRANK FEIBELMAN, :
MARY BAUER, AND BERNARD H. LEVIN, :
Defendants. :

Complete transcript of testimony and other
incidents in the above HEARING, when heard on July
30, 1999, before the Honorable R.G. JOHNSON, Judge.

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Stephen Gulyas	88			
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1 NOTE: Court is reconvened at
2 2:15 p.m.; all parties being present, the
3 hearing is had as follows:

4
5 THE COURT: We're here on the
6 case of Virginia College Building
7 Authority versus Statutory Defendants. I
8 know that we've received one grounds for
9 defense from Barry Lynn and other
10 Virginia Members of Americans United.

11 Has anybody else filed any
12 pleadings in this case?

13 MR. FERRIS: Yes, Your Honor.
14 We filed a grounds for defense.

15 THE COURT: When was that
16 filed?

17 MR. FERRIS: I don't have the
18 stamped copy in front of me, but it was
19 filed on -- we do have a stamped copy.

20 THE COURT: If you have a copy
21 of that, because I don't know that I have
22 it. Although in the last -- wait a
23 minute. Maybe I do.

24 MR. FERRIS: I have a stamped
25 copy for Your Honor.

1 THE COURT: Is this Mary Bauer
2 and Frank Feibelman and others?

3 MR. FERRIS: Yes, sir.

4 THE COURT: Okay. I have that.
5 I think they all came in on the same day.

6 Other than those two grounds
7 for defenses, is anybody aware of any
8 others?

9 Mr. Broaddus, are you aware of
10 any other grounds for defense?

11 MR. BROADDUS: No, sir, I'm
12 not, Judge.

13 THE COURT: Okay.

14 MR. BROADDUS: Judge, there has
15 been a counterclaim asserted by several
16 of the Interveners. While we have not
17 yet filed, we are prepared to file a
18 demurrer to that counterclaim.

19 MS. KHAN: Your Honor, I'm
20 Ayesha Khan on behalf of defendant Barry
21 Lynn and the movers of Americans United
22 for Separation of Church and State. We
23 are also, as we speak, filing the
24 counterclaim. It was faxed to --

25 THE COURT: What is the nature

1 of your counterclaim? It's your
2 counterclaim?

3 MS. KHAN: It's our
4 counterclaim.

5 THE COURT: What's the nature
6 of the counterclaim?

7 MS. KHAN: The nature of the
8 counterclaim is a Section 1983 -- under
9 42 U.S.C. Section 1983, a claim that the
10 issuance of the bonds would violate the
11 Federal Constitution.

12 THE COURT: Well, are the
13 issues in your counterclaim, would they
14 be any different than the issues that I'm
15 going to hear today?

16 MS. KHAN: No, Your Honor.
17 They're the same.

18 THE COURT: They're just
19 something that you just want to do?

20 MS. KHAN: Yes, Your Honor.
21 We'd like that issue before the Court as
22 well.

23 THE COURT: You want to give me
24 more paper. Do you want to file a
25 counterclaim, too?

1 MR. FERRIS: Yes, we would join
2 in the counterclaim, Your Honor.

3 THE COURT: Any issues that are
4 going to be different than the issues I'm
5 going to hear today?

6 MR. FERRIS: Not to my
7 understanding, Judge.

8 THE COURT: All right. What
9 else do we need to do before we get to
10 it?

11 MS. KHAN: Would Your Honor
12 like a copy of the counterclaim at this
13 time? I have a law clerk going
14 downstairs to file it.

15 THE COURT: Well, why don't you
16 -- I don't see that that's going to
17 change any of the arguments or any of the
18 issues that we have. I don't want to
19 prevent you from filing something that
20 you have a right to file, but if you want
21 to file it, it goes to the clerk instead
22 of coming here.

23 MS. KHAN: Okay.

24 THE COURT: I think I would
25 rather hear what has been noticed for

1 today before I start taking on any other
2 papers.

3 Is there anything else we need
4 to do before we get started?

5 MR. FERRIS: I would like to
6 make one motion, and that is to move for
7 the admission, for the purposes of this
8 case, of our new Legal Director, Rebecca
9 Glenberg, pro hac vice.

10 THE COURT: Okay.

11 MR. FERRIS: Ms. Glenberg is a
12 member of the Hawaii Bar. She has
13 recently been retained to become the new
14 Legal Director of the ACLU of Virginia.

15 THE COURT: All right.

16 MR. FERRIS: She sat for the
17 Virginia Bar earlier this week, and we
18 would just like to move for her admission
19 for the purposes of this case.

20 THE COURT: All right. Ms.
21 Glenberg, is it?

22 MS. GLENBERG: Yes, that's
23 right, Your Honor.

24 THE COURT: Pleased to have you
25 here. Any objection, Mr. Broaddus?

1 MR. BROADDUS: No, sir. None,
2 whatsoever.

3 THE COURT: All right.

4 MS. KHAN: Also pending before
5 the Court is a motion for my admission
6 pro hac vice by Stephen Bricker, who is--

7 THE COURT: Where is Stephen
8 Bricker? He just sent you down here by
9 yourself?

10 MS. KHAN: He was unable to
11 come, which is why we submitted the
12 motion in written form. But Mr. Ferris
13 is also prepared to formally --

14 THE COURT: Any objection, Mr.
15 Broaddus?

16 MR. BROADDUS: No, sir.

17 THE COURT: Very well. Welcome
18 to you also. Glad to have you here.

19 Now, where do we go from here?

20 MS. KHAN: One other
21 preliminary matter. We are also
22 submitting, having filed as we speak,
23 additional exhibits to be submitted to
24 the Court, and I can provide the Court
25 with those.

1 THE COURT: All right.
2 Everybody has copies of that?

3 MS. KHAN: Yes, those were sent
4 to the plaintiffs yesterday.

5 THE COURT: All right. You
6 want me to take a look at this before we
7 start the hearing?

8 MS. KHAN: Yes.

9 THE COURT: Anything else?

10 MS. KHAN: No.

11 THE COURT: Thank you very
12 much. Mr. Broaddus?

13 MR. BROADDUS: Judge, we're
14 prepared to go forward.

15 THE COURT: All right. How
16 many witnesses do you think you're going
17 to have?

18 MR. BROADDUS: Two, sir.

19 THE COURT: Ms. Khan, how many
20 witnesses?

21 MS. KHAN: One, Your Honor.

22 THE COURT: Ms. Glenberg?

23 MS. GLENBERG: We'll have no
24 additional witnesses, Your Honor.

25 THE COURT: All right. Let me

1 ask everybody who's going to testify in
2 this case to please stand and raise your
3 right hand. I don't know who the
4 witnesses are, but, counsel, would you
5 make sure that your witnesses are
6 standing and raising their right hands.
7

8 NOTE: At this time, the
9 witnesses are sworn upon their oaths that
10 the testimony which they will give in
11 this case shall be the truth, the whole
12 truth, and nothing but the truth, so help
13 them God.
14

15 THE COURT: Is there a motion
16 to exclude witnesses, or are all of the
17 witnesses parties?

18 MR. BROADDUS: They are not
19 technically parties, Judge, but we have
20 no motion to exclude.

21 MS. KHAN: I would like to move
22 to exclude witnesses, please.

23 THE COURT: All right. Do you
24 know whether any of the witnesses are
25 parties?

1 MS. KHAN: No, Your Honor, none
2 of the witnesses are parties.

3 THE COURT: All right. I will
4 ask all of the witnesses to go out into
5 the hall and remain there until you're
6 called to testify. We'll try not to keep
7 you out there too long.

8
9 NOTE: At this time, all
10 potential witnesses exit the courtroom.

11
12 MS. KHAN: Your Honor, there is
13 one more preliminary matter.

14 THE COURT: Yes, ma'am.

15 MS. KHAN: Which has to do with
16 the admission of exhibits. As you know,
17 we have been under a very short time
18 frame, and the plaintiff -- excuse me. I
19 keep referring to myself as the
20 plaintiff, having represented plaintiffs
21 for most of my legal career. We have, as
22 a consequence, been somewhat under the
23 assumption that the Court was going to
24 proceed under a summary judgment model,
25 and I had called to speak with Your

1 Honor's clerk about this question and
2 heard that the clerk was on vacation.

3 And for that reason and because
4 of time constraints, we have not, for
5 example, subpoenaed the custodian of
6 records for Regent University, and many
7 of our documents are records kept by
8 Regent University. I understand, from
9 speaking with Mr. Broaddus this morning,
10 that they are not going to object to the
11 authenticity of those exhibits so that we
12 would not be required to lay the
13 foundation that would be laid through a
14 custodian of business records.

15 THE COURT: Mr. Broaddus?

16 MR. BROADDUS: Judge, we have
17 no objection to the documents based on
18 authenticity. We do reserve objections
19 on any other basis, including relevance.

20 THE COURT: All right. Is that
21 okay, Ms. Khan?

22 MS. KHAN: Yes, Your Honor.

23 THE COURT: All right.
24 Anything else?

25 Mr. Broaddus, any opening

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1 statement you'd like to make?

2 MR. BROADDUS: Thank you, sir.
3 Judge, I am Bill Broaddus. I'm here on
4 behalf of the Virginia College Building
5 Authority. With me is Jim Sonne, and
6 Lloyd Richardson will be joining us in
7 just a few moments. He's outside at the
8 moment.

9 Judge, we're here pursuant to
10 the Public Finance Act to ask the Court
11 to validate a proposed bond issue by the
12 Authority, which would be issued for the
13 benefit of Regent University. The
14 Authority was created pursuant to Section
15 11 of Article VIII of the Constitution of
16 Virginia, which permitted the General
17 Assembly to create an authority to assist
18 institutions of higher education in the
19 Commonwealth to borrow money for the
20 construction of educational facilities.

21 The institutions, according to
22 the Constitution, must be those whose
23 primary purpose is to provide collegiate
24 or graduate education and not to provide
25 religious training or theological

1 education. There are additional limits
2 imposed by Sections 23-30.41 of the Code,
3 which requires that a facility funded by
4 bonds issued by the Authority shall not
5 include a facility used or to be used for
6 sectarian instruction or as a place of
7 religious worship nor any facility which
8 is used or to be used primarily in
9 connection with any program of a School
10 or Department of Divinity for any
11 religious denomination.

12 Under the act creating the
13 Authority, it's clear that bonds issued
14 by the Authority are to be paid for
15 solely from revenue which would be raised
16 by the borrower. The Authority itself
17 does not in any way pledge its credit,
18 and the credit of the Commonwealth is not
19 pledged in any way. So there are no
20 public monies, whatsoever, involved in
21 this endeavor. The Authority, as we
22 described in our memorandum, is simply a
23 conduit by which an institution may
24 borrow money from those who are willing
25 to purchase bonds.

1 Because the Authority is a
2 State agency, use of the conduit permits
3 the person who buys the bonds to deduct
4 the interest on his bonds from his taxes.
5 To date, approximately 35 educational
6 institutions have borrowed monies
7 pursuant to the authorization of the
8 Authority and its programs.

9 The issue before the Court this
10 afternoon is whether the use of this
11 conduit by Regent University, in a
12 similar fashion to the preceding 35
13 issues, violates the Establishment Clause
14 of the First Amendment of the
15 Constitution of the United States or
16 Section 16 of Article I in the
17 Constitution of Virginia or Section 11 of
18 Article VIII of the Constitution of
19 Virginia.

20 We submit that there is no
21 violation, and we are prepared to proceed
22 this afternoon with the testimony of
23 George Selig and Steve Gulyas to describe
24 certain aspects of Regent University and
25 the use of the proposed bonds. We would

1 like to reserve the opportunity, if the
2 Court would permit us, to make a closing
3 argument with which we will bring law
4 into the case rather than I think that
5 would be premature at this time.

6 THE COURT: Thank you very
7 much, Mr. Broaddus.

8 Ms. Khan.

9 MS. KHAN: The defendants agree
10 with the plaintiff as to what's before
11 the Court. There is a dispute about what
12 the precise issue is. The plaintiff is
13 of the view that the Court does not need
14 to reach the question of whether Regent
15 is a pervasively sectarian institution,
16 and I think that is wrong for several
17 reasons, the most important of which is
18 that in Hunt v. McNair and in Habel v.
19 Industrial Development Authority, Hunt
20 being from the United States Supreme
21 Court and Habel being from the Virginia
22 Supreme Court.

23 Both of those decisions were
24 that it violates the Federal Constitution
25 for bonds, virtually identical to those

1 at issue here, to be offered and made
2 available to a pervasively sectarian
3 institution. Habel, additionally, based
4 its ruling on the Virginia Constitution.
5 So we have rulings that guide this Court
6 that serve as precedent that have not
7 been overruled.

8 The defendants have suggested
9 that the principles that underlie those
10 decisions have been undermined but they
11 have not been overruled, and I think
12 there is a lengthy debate to be had, in
13 fact, as to whether those have been
14 undermined. But this Court does not need
15 to reach that question, because they
16 remain good law, and the Court is bound
17 to follow them.

18 So then the question becomes
19 whether Regent is a pervasively sectarian
20 institution. And that is the issue, I
21 think, before the Court today. And to
22 just briefly highlight to the Court what
23 the factors are that enter into that
24 assessment. They are, does the college
25 mandate religious worship. And on that

1 score, I think the Court can take some
2 guidance from three cases in the Supreme
3 Court, Hunt v. McNair, Tilton v.
4 Richardson, and Roemer v. Board of Public
5 Works of Maryland. Those are three cases
6 in which the Supreme Court found
7 institutions not to be pervasively
8 sectarian. And in all of those --

9 THE COURT: Ms. Khan, as Mr.
10 Broaddus said, you understand this is an
11 opening statement and not a closing
12 argument?

13 MS. KHAN: Yes, Your Honor. I
14 wanted to lay out for the Court what the
15 factors were and give some guidelines.

16 THE COURT: I understand.

17 MS. KHAN: But to be brief in
18 that regard, I think you will find that
19 Regent is an organization that's very
20 mission is to be pervasively sectarian.
21 It does impose religious worship
22 requirements. Religion is pervasive in
23 its curriculum. Religious preferences
24 shape its student admissions, and faculty
25 must be Christian. And, lastly, the

1 college lacks institutional autonomy from
2 its parent organization, the Christian
3 Broadcasting Network. And for those
4 reasons and in light of those factors, I
5 think the evidence will show that they
6 are, in fact, pervasively sectarian.

7 THE COURT: Thank you very
8 much. I appreciate your statements.

9 Ms. Glenberg, are you going to
10 make a statement?

11 MS. GLENBERG: Your Honor, I
12 concur with what Ms. Khan has said. The
13 question of whether the bond issue raises
14 the Establishment Cause problem at all is
15 controlled by Habel and by Hunt_v.
16 McNair, which have not been overruled.

17 The facts of this case will
18 demonstrate that Regent University is,
19 indeed, a pervasively sectarian
20 institution and that granting the bond
21 issue in this case would violate both the
22 United States and the Virginia
23 Constitution.

24 THE COURT: Thank you very
25 much.

1 Mr. Broaddus, your first
2 witness?

3 MR. BROADDUS: Yes, sir.
4 George Selig.

5 THE COURT: Mr. Selig.

6

7

8

9

10

11

12

13

14

WILLIAM GEORGE SELIG,
a witness called by the Plaintiff, first
being duly sworn, was examined and testified as
follows:

15

DIRECT EXAMINATION

16

BY MR. BROADDUS:

17

Q

Good afternoon, Mr. Selig.

18

A

Good afternoon.

19

Q

Would you state your full name,

20

sir.

21

A

My name is William George

22

Selig.

23

Q

What is your position at Regent

24

University?

25

A

I'm the Provost of the

1 university.

2 Q And how long have you been
3 employed there?

4 A Since 1980.

5 Q Prior to joining Regent, what
6 positions did you hold in the arena of higher
7 education?

8 A I taught as a part-time
9 professor at Smith College, American University. I
10 was full time at Westfield State College. Taught
11 some courses at the University of Massachusetts,
12 Amherst.

13 Q Have you been Provost since
14 1980?

15 A No, I became Provost in 1989.

16 Q And prior to becoming Provost,
17 what were your responsibilities?

18 A I was Dean at the School of
19 Education from 1983 until I became Provost.

20 Q As Provost, do you have an
21 opportunity to participate in campus activities?

22 A Yes.

23 Q Do you interact with students?

24 A Yes, not as much as I'd like
25 but I do.

1 Q And with faculty?

2 A Very much so.

3 Q Do you attend faculty meetings?

4 A Not often, although I'm an ex
5 officio member of each faculty. Unless invited or
6 unless I have something that I'm trying to explain,
7 generally, I don't go unless I'm invited.

8 Q Briefly, if you would describe
9 for the Court your job duties, your
10 responsibilities as Provost.

11 A Well, primarily, as Provost,
12 I'm the one in charge of the academic operations of
13 the institution, and the deans of the various
14 schools report to me.

15 Q Does that include student
16 activities?

17 A The Director of Student
18 Services reports to me. He is the one primarily in
19 charge; but on the secondary level, I'm the one who
20 would be in charge of the student activities.

21 Q Yes, sir. Now, Regent is
22 located in what locales?

23 A We're located in Virginia
24 Beach, Virginia.

25 Q And you also offer a program in

1 Alexandria?

2 A Yes, we have a relatively new
3 program. It's in its second year of operation in
4 terms of -- well, actually, its third or fourth
5 year, but we have several programs we're offering
6 right now in Alexandria, particularly the School of
7 Education, Counseling, Divinity, so forth.

8 Q What level of programs does
9 Regent offer, and if you could briefly describe the
10 types of programs.

11 A First of all, we are a graduate
12 institution. We have no undergraduate programs,
13 whatsoever. The average age of our student is
14 around 31 years of age. We offer seven -- we have
15 seven schools and one center. The seven schools
16 are Business, Education, Counseling, Communication,
17 Divinity, Law, Government. And then we have a
18 Center for Leadership Studies.

19 Q How many different degrees do
20 you offer?

21 A Over 20, I would say. I'm
22 going to guess 23, but over 20 I can guarantee you.

23 Q Sure. And how many faculty
24 members are employed by Regent?

25 A Last year we had 103, and we've

1 added several more, so I would assume we're
2 probably 107, 108.

3 Q And the number of students is
4 what?

5 A Oh, 1850. Of course, that
6 varies from semester to semester but it's
7 approximately that.

8 Q Is Regent a nonprofit private
9 institution?

10 A Yes, it is.

11 Q What percentage of Regent
12 students are from the Commonwealth of Virginia?

13 A Originally from the
14 Commonwealth of Virginia?

15 Q Yes, sir.

16 A Okay. Originally, I would say
17 between 30 and 40 percent. But after a year or
18 two, many become Virginia residents and that
19 approaches 70 percent. And after graduation, those
20 who graduate, I would say probably close to 50
21 percent stay on in Virginia. They love the area.

22 Q So do I. Is an undergraduate
23 degree required for admission of a student to
24 Regent?

25 A Yes.

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1 Q Has Regent been accredited by
2 reviewing institutions?

3 A Yes, we have accreditation from
4 the Southern Association of Colleges and Schools.
5 In fact, we just received our renewal notice of our
6 last accreditation, which took place in November of
7 last year, and we have another 10-year
8 accreditation we've been given.

9 And we are also accredited by
10 the American Bar Association and by the Association
11 of Theological Schools. And those are our three
12 primary accreditations. We're under consideration
13 right now for the American Psychological
14 Association. We're in candidacy status.

15 Q Describe if you will, please,
16 the Southern Association for Colleges and Schools.

17 A Well, the Southern Association
18 for Colleges and Schools is one of I think seven
19 regional accrediting bodies that make up the United
20 States. And they look to the various aspects of
21 the institution -- the library resources, the
22 faculty, the qualifications of the faculty,
23 financial, the academic freedom, student
24 activities, student freedom -- all the various
25 aspects that make up an institution. They review

Selig - Direct

1 and make an assessment as to whether you're in
2 compliance or not in compliance.

3 And they did that with us last
4 November. And, in fact, their statement was -- the
5 chairman -- was that he had served on 19 different
6 committees and he had never been to an institution
7 that had so few noncomplying issues and those were
8 relatively minor.

9 Q Is this the same organization
10 that would review, for example, for accreditation
11 purposes, University of Virginia, Virginia Tech?

12 A Exactly.

13 Q Virginia State University?

14 A Exactly the same.

15 Q Okay. Describe, please, the
16 university's Mission Statement and Statement of
17 Faith.

18 MR. BROADDUS: Judge, these are
19 included as exhibits in at least the
20 Interveners' exhibits.

21 THE COURT: All right.

22 MR. BROADDUS: They're also
23 attached, if you will. These are
24 attachments, Judge, also to Exhibit E to
25 the memorandum that we filed in support

1 of the Motion for Summary Judgment.

2 That's an affidavit of George Selig and
3 has attachments to it.

4 THE COURT: All right. I have
5 that.

6 MR. BROADDUS: Thank you, sir.

7 BY MR. BROADDUS: (Continuing)

8 Q I'm going to show you, Mr.
9 Selig, what's styled Selig Affidavit Exhibit 3,
10 which is a statement of faith, and ask you if you
11 can identify this.

12 A Yes. This is the Statement of
13 Faith that has been in existence, to my knowledge,
14 from the inception of the university.

15 Q And let me show you the Mission
16 Statement --

17 MR. BROADDUS: Which is Exhibit
18 4 to that affidavit, Judge.

19 BY MR. BROADDUS: (Continuing)

20 Q Ask you if you can identify
21 this, please.

22 A Yes. This is the Mission
23 Statement that was adopted, I believe, in 1993. We
24 had a mission statement previous to that, but this
25 is the updated one.

1 Q What is the function and role
2 of the Mission Statement and the Statement of Faith
3 in university life?

4 A Well, it sets the stage, or, if
5 you will, it sets the stage of our world view, that
6 we exist to bring glory to God. And that's our
7 preamble. But our mission, which is played out in
8 very practical terms, is to provide an exemplary
9 graduate education. In other words, the finest
10 possible education we can provide from biblical
11 perspective to people we hope will go on and make a
12 difference in society.

13 Q What do you understand it to
14 mean to say from a biblical perspective?

15 A Well, I would say you can
16 probably look at that from two aspects, from a
17 relational one as well as from an objective one.
18 What does scripture have to say about whatever
19 topic we're talking about? Does it have anything
20 to bear on a particular subject? And that would be
21 along the lines to promote truth, justice, and
22 love.

23 In other words, we see those as
24 three kind of abiding statements. So we look at it
25 from that perspective, which, then, obviously,

1 involves conduct, how do we behave, how do we
2 relate to others, does scripture have anything to
3 say in a real objective way about the particular
4 topic you're talking about.

5 Now, in some cases, like in
6 some of the technical courses, it has very little
7 to say, if any, except from a relational way, in
8 terms of how you treat others and so on. And most
9 cases it's probably not a whole lot. In other
10 subjects like law, for instance, a lot of law has
11 come from a biblical perspective, so there would be
12 more to talk about in that area.

13 In areas where it doesn't fit,
14 we don't use it or we don't spend any time talking
15 about it. In areas where it fits, we do. And so
16 it's just a consistency in our world view as to how
17 we behave toward others and what does scripture
18 have to say. We believe that God is the source of
19 all truth, so we can talk about anything we choose
20 to talk about.

21 Q Are these principles of an
22 ethical or moral nature or character?

23 A Oh, absolutely. That's the way
24 we set things, in that kind of a perspective.

25 Q And you gave as examples love,

Selig - Direct

1 truth, justice?

2 A Which is part of our Mission
3 Statement, that we're teaching the principles of
4 truth, justice, and love described in the
5 scriptures.

6 Q Does the university make an
7 effort to indoctrinate or inculcate particular
8 religious beliefs in its students?

9 A No, we have people from a
10 diverse -- we have a diverse student body. Some
11 are of Christian faith, some are not. Some have no
12 faith perspective at all. All of our faculty have
13 a Christian faith perspective. It's not our job --
14 our primary job is education. Students understand
15 when they come that we teach from this perspective,
16 but our job is not proselytization nor do we
17 attempt do that.

18 Q Does the university -- I think
19 you just answered this. But to be clear, does the
20 university have as its primary mission the
21 provision of religious training or theological
22 education?

23 A No, which, of course, with the
24 exception of the School of Divinity, which is
25 theological training.

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1 Q That's one of seven schools?

2 A Well, one of eight, if you
3 count the Center for Leadership Studies.

4 Q Well, I'd like for you to
5 describe the atmosphere at Regent. Is it one in
6 which religious indoctrination thoroughly dominates
7 secular education?

8 A No, religious indoctrination is
9 not a term we've even used. We're not there to
10 indoctrinate. We're not a church.

11 Q I'd like to focus several
12 questions on students, if I may. Does Regent
13 require its students to belong to any particular
14 religion or to profess any religious beliefs?

15 A No. We have Muslims and Jews
16 who are not of Christian faith.

17 Q Would you describe, if you
18 will, please, the admissions policy.

19 MR. BROADDUS: And, Judge, I'd
20 like to point the Court, if I may, to
21 Exhibit 1, to the affidavit of Michael
22 Ash. This is Exhibit F.

23 THE COURT: All right.

24 BY MR. BROADDUS: (Continuing)

25 Q Showing you, Mr. Selig, Exhibit

1 1, which is an attachment to Mr. Ash's affidavit
2 styled Student Admission and Registration. Are you
3 familiar with that document?

4 A Yes.

5 Q And does that require a --
6 well, what are the factors that are considered in
7 admitting a student?

8 A Well, primarily intellectual
9 achievement, scholarship, and then there is grade
10 point averages. Then there is submission of test
11 scores. Some schools require test scores, some
12 don't. And then a maturity in spiritual and/or
13 character qualities.

14 For instance, if a student was
15 of the Christian faith, they might have a clergyman
16 provide a recommendation. But if they weren't of
17 the Christian faith or were of no faith at all,
18 then they would have to find someone to provide a
19 character statement in terms of who they were and
20 were their goals consistent with the mission of
21 Regent University.

22 Q Is there any religious
23 requirement associated with admission?

24 A No.

25 Q If an applicant has not made a,

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1 quote, personal commitment to Jesus Christ,
2 unquote, would that negatively impact a candidate's
3 admission standing?

4 A No.

5 Q To your knowledge, has any
6 applicant ever been turned down for admission for
7 any reason pertaining in any way to religion or
8 lack of religious affiliation?

9 A Not to my knowledge.

10 Q Are students at Regent required
11 to attend the university's chapel?

12 A No, a chapel requirement is not
13 something we have as a requirement.

14 Q Are they required to
15 participate in any religious activities?

16 A No.

17 Q Now, there is a statement, I
18 believe, that exhorts students and faculty with
19 respect to chapel and Christian lifestyle?

20 A Right. We strongly encourage
21 them to attend chapel, but we don't require it nor
22 is there any punitive response if somebody doesn't
23 attend chapel.

24 Q Does Regent maintain a
25 philosophy of academic freedom as it relates to

1 students?

2 A Yes, it does.

3 Q Would you describe that,
4 please.

5 A Basically, we believe God is
6 the source of all truth. So, therefore, that
7 leaves us an open avenue to investigate or to
8 discuss anything. And, you know, as one of our
9 presidents once said, there is nothing here that's
10 not discussable. So we can go down any avenue we
11 choose to go down.

12 We do -- we have a limitation
13 in that we do not allow our faculty to use their
14 classroom as a personal pulpit, if you will, to
15 expound on their personal beliefs in terms of
16 trying to get students to accept a certain kind of
17 theology or something like that. That would be
18 detrimental to the student academic freedom, and so
19 students would be able to file a grievance of some
20 sort, if that did occur.

21 Q Well, would you describe the
22 finding of the Southern Association of Colleges and
23 Schools on the academic freedom for students.

24 A Well, I can't give it to you
25 exactly, but --

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1 MR. BROADDUS: This is
2 attached, Judge, as Exhibit 1 to Mr.
3 Selig's affidavit.

4 THE COURT: All right.

5 BY MR. BROADDUS: (Continuing)

6 Q I'm going to show you a
7 document and ask if you can identify this.

8 A Yes. This was, at least, part
9 of the document that was submitted as part of the
10 reaffirmation visit that occurred in November of
11 last year. And the committee found that, number
12 one, the openness of the atmosphere was what they
13 established as great. They were most complimentary
14 about our academic freedom. They saw absolutely no
15 violation and that we lived by the academic freedom
16 statement and that our faculty had never felt that
17 they were, in any way, inhibited.

18 Q And while this makes reference
19 to faculty, which we'll turn to in a few moments,
20 does this also pertain to student --

21 A Yes, we have a student academic
22 freedom statement as well, which relates to that.

23 Q Okay. I'd like for you to,
24 very briefly, address Regent's campus lifestyle
25 policy, if you will, as it pertains to behavior.

1 A Well, our lifestyle policy is
2 not so much dissimilar from any other institutions
3 who maybe don't put it in the context of saying
4 it's part of a Christian lifestyle. But we have a
5 lifestyle that there's no alcohol on our campus, no
6 drugs, that people treat each other with respect.
7 Pretty much, I would say, the code of good behavior
8 that we would expect that everyone would follow.

9 Q Are these consistent with the
10 principles that you alluded to earlier?

11 A Truth, justice, and love?

12 Q That would arrive from a
13 biblical perspective?

14 A I would say so.

15 Q Now, let me turn, if I may, Mr.
16 Selig, to faculty. Let's address a couple
17 questions there. Are faculty required to attend
18 chapel or church services?

19 A No, they're strongly encouraged
20 but they're not required.

21 Q Are faculty members -- would a
22 faculty member be disciplined for not attending
23 church or chapel?

24 A No, huh-uh. We wouldn't have
25 any knowledge whether they attended church or not.

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1 Q Do you attend chapel?

2 A I try to. I'm frequently in
3 attendance.

4 Q When you're there,
5 approximately what percent of the faculty do you
6 see in attendance?

7 A Probably 15 to 20 percent.

8 Q Now, are faculty required to
9 sign a Statement of Faith?

10 A Yes, they are.

11 Q And would you describe that for
12 the Court.

13 A Well, the Statement of Faith is
14 the Statement of Faith that you saw, that you gave
15 me previously, which is not very dissimilar from
16 the Apostle's Creed. Yes, they're expected to sign
17 it. We require our faculty members to acknowledge
18 and to sign that and to live by that perspective.

19 Q Is the university, nonetheless,
20 able to maintain academic freedom for its faculty?

21 A I believe so. I don't believe
22 it's interfered in any way, shape, or form with
23 their academic freedom.

24 Q And that is verified by the
25 committee's report of SACS?

1 A Yes, but it's also verified by
2 the American Bar Association. They had seen no
3 violations of our academic freedom statement.

4 Q Now, you alluded to this
5 earlier, Mr. Selig. But with respect to faculty
6 members in the classroom, are they permitted to
7 seek to proselytize students?

8 A Absolutely not.

9 Q Does Regent have a tenure
10 system for its faculty?

11 A Yes, it does.

12 Q Does that system make
13 reference, among other things, to criteria that
14 relate to integrating faith and learning?

15 A Right.

16 Q And would you describe what
17 that means to the Court.

18 A Well, what we're attempting to
19 do is because we are a Christian institution and
20 creating this harmony of faith and learning, if you
21 will, is something we're attempting to do, most of
22 our faculty come from secular institutions that are
23 outstanding in their discipline. They are not
24 theologians, and we want them to look at things, be
25 able to look at their discipline from the

1 perspective of their faith, and so we encourage
2 them to become more proficient in that and to read.

3 And we provide reading
4 materials. We even provide various kinds of
5 opportunities, through workshops and so on, so that
6 faculty can become more proficient in it. There's
7 no one way, because we have faculty from many
8 diverse denominations. Their take on scripture,
9 oftentimes it varies. The only thing that we ask
10 them really to hold tight to is the Statement of
11 Faith. And so we have some vigorous debates about
12 what scripture says about certain things that they
13 would be talking about.

14 Q Is this so that they're able or
15 better able to develop an understanding of the
16 principles that we've referred to, ethics and
17 morals of love and justice and truth?

18 A Yes.

19 Q What is the primary criteria
20 for hiring professors?

21 A Their academic credentials.

22 Q Now, I'd like for you very
23 briefly to --

24 THE COURT: Excuse me. You
25 need to leave? Once you come on this

1 side, you're here, unless there's some
2 emergency.

3 MS. KHAN: Your Honor, the
4 problem is that it's occurring to me that
5 I did not bring enough copies of the
6 second set of exhibits, because we had
7 brought one for the Court and --

8 THE COURT: Maybe that's an
9 appropriate emergency. I just like to
10 know. You can go ahead and leave if it's
11 taking care of something for this, but
12 not talking to witnesses in the hall.

13 MS. KHAN: Thank you.

14 THE COURT: All right. Go
15 ahead.

16 MR. BROADDUS: Thank you, sir.

17 BY MR. BROADDUS: (Continuing)

18 Q I'd like you, Mr. Selig, to
19 briefly address the governors of Regent. How are
20 the members of the Board of Trustees appointed?

21 A The members of the Board of
22 Trustees are appointed by the Board of the
23 Christian Broadcasting Network.

24 Q And what is the role of the
25 Board of Trustees?

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1 A Basically, they're a
2 policy-setting board for the university.

3 Q Are they involved in the
4 day-to-day activities?

5 A No, not at all.

6 Q Does the -- to your knowledge,
7 does the Christian Broadcasting Network dictate to
8 the Board of Trustees policies to be followed?

9 A No, they don't.

10 Q From your observation, are the
11 Board members free to follow those dictates that
12 they think appropriate in setting policy?

13 A Yes, sir.

14 Q Now, I'd like to return,
15 briefly, to the bonds. And I understand that you
16 are not primarily responsible from the financial
17 perspective.

18 A True.

19 Q What will be the purposes for
20 which the bonds will be used?

21 A To help build the Alexandria
22 building, the School of Communication building, the
23 events center.

24 Q And?

25 A And to refinance the student

1 housing.

2 Q Now, let's briefly touch on
3 student housing. We'll take them in reverse order.
4 What is student housing? Is it just that,
5 dormitories?

6 A Well, it's apartments,
7 actually. I think there is 112 units, or maybe
8 more now, that were built about 10 years ago or 8
9 years ago. And that's for the students and their
10 families who are attending Regent University.

11 Q And were they financed by a
12 bond issued through an industrial development
13 authority in the Commonwealth of Virginia, if you
14 know?

15 A I can't answer that exactly. I
16 think they had it approved, but I don't think they
17 used it.

18 Q If you don't know, that's fine.
19 The events center, would you describe that, please.

20 A I'm not real conversant on all
21 the anticipated rules of that, but it's primarily
22 for workshops, for conferences, kind of the same
23 thing that you would see, for instance, at the
24 University of Virginia where they have a conference
25 center. It's something that a lot of universities

1 now are starting conference centers to have
2 continuing education activities, noted speakers,
3 those kinds of things.

4 Q And the communications and arts
5 facility?

6 A That's for the School of
7 Communication, which has a heavy emphasis on
8 television, film. And we've outgrown all of our
9 facilities. And so teaching of classes in
10 communication, the theater facilities for plays,
11 all the television studios, film opportunities, all
12 those kinds of things, faculty offices.

13 MR. BROADDUS: Judge, I want to
14 ask Mr. Selig several questions with
15 respect to the Northern Virginia
16 building. If I may put those in context
17 by a brief statement that I think would
18 help explain the purpose of these
19 questions so that the Court will
20 understand?

21 THE COURT: All right.

22 MR. BROADDUS: One of the
23 programs that would be used -- that would
24 be housed under the present proposal in
25 the facility to be built at the

1 Alexandria campus is the School of
2 Divinity. It's the proposal that Regent
3 utilize a concept that's similar to what
4 a bond counsel had used for a long time
5 with respect to financing of permitted or
6 nonpermitted uses in bond issue finance
7 items.

8 Under this concept, Regent
9 would not fully fund the building from
10 the bond proceeds. It would make an
11 equity contribution, which would be in
12 portion or in relation to that percentage
13 of use of the building by the School of
14 Divinity. And that is one issue which we
15 think that the Court will want to
16 consider as it addresses this particular
17 issue.

18 THE COURT: All right.

19 BY MR. BROADDUS: (Continuing)

20 Q Mr. Selig, would you describe
21 the uses for which the Northern Virginia facility
22 will be used or devoted.

23 A Well, primarily, it's for our
24 seven schools. The School of Law will not be in
25 Northern Virginia, primarily because of the library

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1 requirements, and we're not able to sustain two law
2 libraries. The rest of the schools will be there.
3 It's our plans to have all of them there. Four or
4 five of them are already there. It will be
5 primarily used for administrative office space, for
6 classrooms, some lecture halls. So it will be like
7 a mini campus.

8 Q And the schools, leaving aside
9 the School of Law, would be --

10 A Will all be represented there.

11 Q Okay. And they are arts and
12 communication?

13 A Communication, business,
14 counseling, education, Center for Leadership
15 Studies, School of Government. I think I got them
16 all.

17 Q And the Divinity School?

18 A The Divinity School will be up
19 there, yes.

20 Q Now, under the present
21 proposal, would it have access to the use of the
22 building?

23 A It is our hope that that's
24 possible that they could use that, but it may not
25 be possible, in which case, then they would lease

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1 space out elsewhere.

2 Q Now, if they are permitted to
3 use the facility, describe the funding mechanism
4 that would be used in conjunction with that.

5 A Well, we wouldn't expect the
6 bond to cover them. What we would do is figure a
7 percentage of space utilization, which then we
8 would fund separately apart from the bond that is
9 covered. So for instance, if they had 15 percent
10 -- and that's arbitrary, I don't know what the
11 percentage would be -- then we would pay for that
12 15 percent. We wouldn't expect the bond to cover
13 that.

14 MR. BROADDUS: Judge, may I
15 confer with counsel at this point?

16 THE COURT: Yes, you may.

17 MR. BROADDUS: Judge, I believe
18 as I went through, I neglected to ask for
19 the admission of the exhibits that I
20 referred to. We would ask that they be
21 admitted.

22 THE COURT: Any objection to
23 any of the exhibits?

24 MS. KHAN: No objection, Your
25 Honor.

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1 MS. GLENBERG: No objection.

2 THE COURT: All right.

3

4 NOTE: The above-referred-to
5 documents located in the Memorandum of
6 Law in Support of Motion for Judgment at
7 Tab E and Tab F were marked and filed as
8 Plaintiff's Exhibits Nos. E and F,
9 respectively.

10

11 MR. BROADDUS: Mr. Selig, if
12 you would be good enough to answer any
13 questions of opposing counsel.

14 Thank you, Judge.

15 THE COURT: Ms. Khan.

16 MS. KHAN: Beg your indulgence,
17 Your Honor.

18

19

20 CROSS-EXAMINATION

21 BY MS. KHAN:

22 Q Good afternoon, Mr. Selig.

23 A Good afternoon.

24 MR. BROADDUS: Judge, I
25 apologize. Mr. Sonne has very helpfully

1 pointed out one question I neglected to
2 ask.

3 THE COURT: Go ahead.

4
5
6 DIRECT EXAMINATION

7 BY MR. BROADDUS: (Continuing)

8 Q Mr. Selig, do you know how many
9 bond issues the Virginia College Building Authority
10 has participated in prior to the one that is
11 present before the Court?

12 A My understanding that it's 35.

13 Q Are there any criteria
14 pertaining to an institution's participation in
15 that program based on religion?

16 MS. KHAN: Your Honor, I would
17 object to this line of questioning and
18 would move to strike the earlier answer
19 unless Mr. Broaddus can establish for the
20 Court that Mr. Selig has a basis on which
21 to know the answers to these questions.

22 THE COURT: All right. Mr.
23 Broaddus?

24 MR. BROADDUS: Well, Judge, if
25 he knows how many there have been, he

1 doesn't have to actually have counted the
2 number.

3 THE COURT: Ask him if he knows
4 and how he knows.

5 MR. BROADDUS: All right.

6 BY MR. BROADDUS: (Continuing)

7 Q Mr. Selig, how do you know the
8 information?

9 A That's information that I
10 received in light of this whole preparation. I
11 happened to just read it.

12 THE COURT: All right.
13 Objection is overruled. Go ahead. You
14 can cross-examine him on it, Ms. Khan,
15 but I'm going to allow him to give the
16 answer.

17 BY MR. BROADDUS: (Continuing)

18 Q And are the application for
19 financing and the appendices to the application for
20 financing --

21 MR. BROADDUS: If I may
22 approach, Judge. These are Exhibits C
23 and D to the memorandum which we've
24 previously --

25 THE COURT: All right.

1 BY MR. BROADDUS: (Continuing)

2 Q Are these the applications that
3 you previously -- that Regent filled out, the form
4 of the applications?

5 A Yes.

6 MR. BROADDUS: Thank you.

7 Judge, we would move the admission of
8 those as well.

9 THE COURT: Exhibits C and D.
10 Any objection?

11 MS. KHAN: No objection.

12 THE COURT: They will both be
13 admitted.

14
15 NOTE: The above-referred-to
16 documents located in the Memorandum of
17 Law in Support of Motion for Judgment at
18 Tab C and Tab D were marked and filed as
19 Plaintiff's Exhibits Nos. C and D,
20 respectively.

21
22 THE COURT: Any other
23 questions, Mr. Broaddus?

24 MR. BROADDUS: No, sir.

25 THE COURT: Mr. Sonne, any

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1 other questions?

2 MR. SONNE: No, Your Honor.

3 THE COURT: All right. Ms.

4 Khan.

5 MS. KHAN: Thank you, Your

6 Honor.

7

8

9

CROSS-EXAMINATION

10 BY MS. KHAN:

11 Q Mr. Selig, you said in your
12 affidavit, and I will quote here, that Regent does
13 not require its faculty to adhere to the beliefs of
14 a specific denomination or belong to a specific
15 church; is that right?

16 A Yes.

17 Q It is your testimony today,
18 though, that Regent does require faculty to be
19 Christian; is that right?

20 A Yes.

21 Q I'm showing you what is Exhibit
22 17 to the document that was provided to the Court
23 today that's entitled Exhibits 16 to 26.

24 THE COURT: All right.

25

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1 BY MS. KHAN: (Continuing)

2 Q I'll hand you that. Is that
3 the faculty application form that Regent University
4 uses?

5 A I believe so. You know, I know
6 these things get updated, but it generally looks
7 like it.

8 Q You see there that it requires
9 a statement regarding, I quote again, your
10 conversion, your Christian commitment, and your
11 acquaintance with the Present Day Renewal Movement,
12 which emphasizes the gifts, truths, and ministries
13 of the Holy Spirit. Why is that included in the
14 faculty application form?

15 A Because we have a close
16 relationship with the Renewal Movement. We were
17 founded by the Christian Broadcasting Network,
18 which has a close relationship with the Renewal
19 Movement, and that's always been there.

20 Q And why are you concerned that
21 the faculty also have a relationship with that
22 movement?

23 A Because it's something that's
24 present on our campus, and it's simply a
25 charismatic experience, if you will.

1 Q And how would you describe that
2 charismatic experience?

3 A Well, the basic belief is that
4 the scripture talks about the gifts of the Holy
5 Spirit being evident in the world today. And so we
6 want people who -- to know that we have an openness
7 to this, and that, you know, if they're going to
8 come there, we'd like them to know that, that is
9 something that's accepted here on our campus.

10 We have faculty on our campus
11 who, while they understand the Renewal Movement,
12 this is not something that they are, that they
13 believe in. They believe that the gifts have
14 stopped already. But that didn't preclude them
15 from becoming faculty members.

16 Q But you do require that they
17 subscribe to this Statement of Faith?

18 A Yes, we do.

19 Q You also ask, on that
20 application form, for their church or denomination?

21 A For informational purposes,
22 yes.

23 Q But I take it that it's on the
24 application because it's relevant to an assessment
25 of whether you want to hire the faculty; isn't that

Selig - Cross

1 right?

2 A No.

3 Q No?

4 A It's more that we're just
5 interested in, for record-keeping purposes, how
6 many people we have from the different
7 denominations.

8 Q Why do you want to keep those
9 records?

10 A I think it's just -- it gives
11 us some idea of the diversity of our faculty.

12 Q But the diversity only extends
13 to Christians?

14 A Yes, it does.

15 Q And the faculty form that you
16 have before you also says that the university seeks
17 faculty members who subscribe to the Christian
18 witness; is that right?

19 A Yes.

20 Q Also as part of the
21 application, the faculty handbook, which is also
22 provided to the Court as Exhibit 3 to the original
23 brief of Barry Lynn and other Virginia members of
24 Americans United. I can show it to you, Mr. Selig,
25 but if you can recall, does it say that faculty

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1 applicants are required to submit a written
2 Statement of Christian Faith?

3 A I believe so.

4 Q Again, I can show it to you.

5 It does say that a university official then reviews
6 that Statement of Faith in order to determine
7 whether or not the person should be interviewed.
8 Do you know what that official is reviewing that
9 statement for?

10 A Yes, as a matter of fact, I do,
11 because we have had people who have applied who
12 said that they were of a Christian persuasion, but
13 in reading it, we find that they're not of a
14 Christian persuasion, not what we would call a
15 Christian persuasion. They may be accepting of
16 Christian principles, but they themselves might not
17 be Christian in terms of how its been described.

18 Q So you do require them to be
19 Christians of a certain sort?

20 A Christians who could subscribe
21 to our standard of faith. For instance, looking
22 at--

23 Q That's all, Mr. Selig.

24 A All right.

25 Q You've answered my question.

1 Thank you.

2 MR. BROADDUS: Judge, I would
3 like him to have an opportunity to
4 explain his reasons.

5 THE COURT: All right. Go
6 ahead and explain, if you will, Mr.
7 Selig.

8 BY MS. KHAN: (Continuing)

9 A We have some people who have
10 applied, but on our Statement of Faith it's,
11 essentially, one God. We have people who have
12 applied who say they're Christians but have many
13 gods, and that's not what we describe as Christian.
14 Somehow they assume that that's what that meant.
15 And it's more done to be sensitive. We'd rather
16 not have this person arrive here and find out that
17 they didn't fit.

18 Q You earlier said that your
19 Statement of Faith is similar to the Apostle's
20 Creed; is that right?

21 A Uh-huh.

22 Q What is the Apostle's Creed?

23 A The Apostle's Creed is found in
24 the scripture. I can't repeat it for you directly,
25 but if you wanted to look it up, you can. It's

Selig - Cross

1 something that you find in most of the traditional
2 churches, statement like the Nicene Creed and so
3 on. Believe in one God.

4 Q And is it something that is
5 adhered to by some denominations in Christianity?

6 A I would say in terms of the --
7 I would say most of the Christian traditions. I'm
8 not aware of any who don't.

9 Q You also said in your affidavit
10 that Regent does not require its faculty to attend
11 the university's chapel, and you repeated that
12 testimony on direct today. Do you also see on the
13 faculty application form, though, that it says that
14 it is, quote, imperative that faculty engage in,
15 again, I quote, regular church attendance?

16 A Right.

17 Q Is it also true that faculty
18 are evaluated regarding their chapel attendance and
19 their participation in Bible studies and
20 performance reviews?

21 A We strongly encourage it.

22 Q Is that part of the evaluation
23 process?

24 A Not to my knowledge. I've
25 never seen it as part of the evaluational process

1 in terms of their lack of attendance of chapel.

2 Q How is it that you encourage
3 them to attend chapel?

4 A I think we simply say, this is
5 something we believe that you should do, we
6 strongly encourage you to do it. It would be
7 helpful if more of you were in attendance at
8 chapel. Obviously, we're not successful if we only
9 have 15 to 20 percent.

10 Q Are you aware that the faculty
11 handbook says that faculty applying for tenure or
12 promotion are to include a summary of Christian
13 activities, which include such things as frequency
14 of chapel attendance, participation in staff
15 devotion, home Bible studies, church activity?

16 A Uh-huh.

17 Q That's yes?

18 A Yes, that's a yes.

19 Q Do you have any non Christian
20 faculty members?

21 A Not to my knowledge.

22 Q I'm going to show you what is
23 Exhibit 20, which is in the packet that's in your
24 lap.

25 A Yes.

1 Q Is that the employment
2 application that Regent University uses?

3 A Not for faculty.

4 Q But for staff?

5 A I believe so. I haven't seen
6 many of these.

7 Q Does that document state that
8 all employees are expected to understand and adhere
9 to certain articles of belief?

10 A Yes.

11 Q It also requires applicants to
12 include a reference of a pastor, correct?

13 A Right.

14 Q It also requires applicants to,
15 quote, state your Christian testimony as part of
16 the application?

17 A Right.

18 Q Is it also true that the Board
19 of Trustees have taken official action stipulating
20 that a condition for employment is agreement with
21 the university's Statement of Faith?

22 A I believe so.

23 Q Are you aware that the Regent
24 policy on accepting applications -- actually, if I
25 can back up and direct you to Exhibit 22 in that

1 set of materials. You see there that it says that
2 prospective employees will not be discriminated
3 against on account of race, color, sex, age,
4 national origin, or disability?

5 A Yes.

6 Q Why does it omit religion?

7 A Because we only hire
8 Christians.

9 Q So that's true of staff as
10 well?

11 A Faculty and staff, yes.

12 Q Now, directing you to Exhibit
13 16, which is also there before you. That is the
14 employee handbook. And it says there, quote, all
15 employees are expected to be in chapel unless
16 specifically exempted by their supervisor, does it
17 not?

18 THE COURT: That's what it
19 says. What's the question?

20 BY MS. KHAN: (Continuing)

21 Q Is that policy adhered to?

22 A In practice?

23 Q (Counsel nods.)

24 A No.

25 Q So why is it there?

Selig - Cross

1 A Because I think it's something
2 we're strongly encouraging, but we don't force them
3 to adhere to it.

4 Q You talked a little bit about
5 the requirement that faculty are required to sign
6 the Statement of Faith and that you were a
7 professor, before you came to Regent, at Smith
8 American University, University of Massachusetts.
9 Were you required to sign anything of that sort at
10 those universities?

11 A No.

12 Q The faculty handbook says that
13 faculty are required to be proficient in
14 effectively integrating their faith and learning.
15 What does that mean?

16 A Well, I think I explained it to
17 Mr. Broaddus before. But we expect that they will
18 have become proficient in understanding the
19 relation between what they teach and what they
20 believe, which is their world view. We expect them
21 to have a Christian world view, if you will, and
22 starting, obviously, from the Mission Statement or
23 Statement of Faith, and to be able to teach
24 students from that perspective. And we hope that
25 -- we expect that they will become proficient over

1 time in doing that.

2 Q If they are not adequately
3 proficient, are they required to undergo a
4 prescribed course of study in the School of
5 Divinity?

6 A There are opportunities
7 available. One, to take some workshops from the
8 School of Divinity, the other to have a reading
9 program. Another one is to take some workshops
10 that we offer from time to time. It's fairly loose
11 in terms of how they get there, recognizing that
12 there is no one way of integration of faith and
13 learning. With our diverse number of
14 denominations, people look at scripture in a
15 variety of ways.

16 Q But the ultimate requirement is
17 that they ingrate that scripture --

18 A Right.

19 Q -- into the courses?

20 A Yes, to be informed. They're
21 disciplined to be informed in the biblical
22 perspective.

23 Q Now, moving to the question of
24 student admissions. Mr. Selig, I want to show you
25 the application form for admissions, which is

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1 Exhibit 5.

2 A Am I done with this now?

3 Q Yes. It's actually several
4 pages into Exhibit 5. It's page 15. If you notice
5 halfway down the page on page 15, it asks the
6 applicant to list all academic and nonacademic
7 honors and distinctions.

8 A Right.

9 Q I take it that's included there
10 because you believe that's relevant to whether or
11 not the applicant gets admitted?

12 A Yes, we'd like to know if they
13 demonstrate leadership capabilities and so on.

14 Q It asks on page 16 whether the
15 person has received counseling for chemical
16 dependency or emotional or mental condition. I
17 take it that's included as well because that's
18 relevant to whether or not the person gets
19 admitted?

20 A Well, no. What it is, it's
21 included, because if they have these issues, then
22 if it's something we need to know about, we would
23 ask them for the opportunity to investigate further
24 and determine what that means, just so that we can
25 determine whether they're appropriate for the

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1 university. It doesn't -- we take people with
2 health conditions and limitations. It doesn't
3 screen them out.

4 Q But it is relevant to your
5 inquiry?

6 A Yes, one of the many factors,
7 particularly in education.

8 Q If you move further that same
9 document to page 19, that is a clergy
10 recommendation form that asks the clergy person to
11 answer the question of whether the applicant has
12 made a meaningful personal commitment to Jesus
13 Christ.

14 A Okay.

15 Q What is the relevance of that
16 information?

17 A Well, we're looking for moral
18 and ethical standards, and we believe that if
19 somebody is -- and it's, certainly, not 100 percent
20 assured -- but if somebody has made a -- has made a
21 Christian commitment, then we're assuming that
22 they're attempting to live according to the tenets
23 of scripture. So we see that as one piece of
24 information that would be helpful.

25 However, if not, we would ask

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1 for some other religious or moral leader to comment
2 on the person's reliability, maturity, and so on.
3 We want people of good character, and that's some
4 of the ways we can determine that.

5 Q In some of your application, if
6 not all of them, ask for the applicant's church,
7 correct?

8 A (Witness nods.)

9 Q Why do you ask for that
10 information?

11 A I think it's just statistical
12 information. I know of no use other than that.

13 Q Do you keep statistics on the
14 Mosques that are attending by your students?

15 A No. We keep statistics -- I
16 would imagine, if somebody is not of Christian
17 faith, then we would know if they were Jewish or
18 Muslim.

19 Q Do you keep statistics on any
20 other houses of worship attended by your students
21 other than Christian?

22 A No.

23 Q With respect to students. If
24 you look further in that document at Tab 11, which
25 is your admission policy.

1 A Okay.

2 Q Does that appear to be Regent's
3 admission policy?

4 A It appears to be.

5 THE COURT: Where are you, Ms.
6 Khan?

7 MS. KHAN: Tab 11, Your Honor.

8 THE COURT: Go ahead.

9 BY MS. KHAN: (Continuing)

10 Q It there says that your
11 nondiscrimination policy forbids discrimination on
12 the basis of race, national origin, and, again, a
13 variety of criteria but it omits religion; is that
14 right?

15 A It does, but it shouldn't.
16 That is -- some of the schools, in doing this,
17 picked up our faculty as opposed to the student,
18 which is unfortunate, but they did it. We're
19 attempting to correct it.

20 Q But that is your existing
21 admissions policy?

22 A No, the existing --

23 MR. BROADDUS: Your Honor, I
24 think she cut Mr. Selig off as he was
25 trying to explain. I just wanted him to

1 have the opportunity to finish.

2 THE COURT: Had you finished
3 your previous answer, Mr. Selig?

4 THE WITNESS: I'm not sure
5 anymore, but let me try to backtrack a
6 bit.

7 THE COURT: Then you have
8 finished it.

9 What's your next question, Ms.
10 Khan?

11 MS. KHAN: Thank you, Your
12 Honor.

13 BY MS. KHAN: (Continuing)

14 Q Is there a term that would
15 capture the point of view that is set forth in
16 Regent's Mission Statement and Statement of Faith?
17 Would you call it Evangelical, Fundamental,
18 Pentecostal? Is there a term that would unify
19 that?

20 A The Mission Statement, no.
21 That's much broader than Evangelical. But the
22 Statement of Faith tends to be -- well, it doesn't,
23 but we look at it from an Evangelical perspective.
24 But the Mission Statement, if you take a look at
25 it, is broader. It's more encompassing of the

Selig - Cross

1 Christian traditions.

2 Q But the Statement of Faith to
3 which faculty are to subscribe comes from an
4 Evangelical perspective?

5 A Well, I would say, no, not
6 exactly, but we tend to interpret things from an
7 Evangelical perspective. The Statement of Faith,
8 probably anybody of a Christian tradition would be
9 able to sign it, even though they might be more of
10 a liberal persuasion as opposed to an Evangelical
11 persuasion.

12 Q Do you believe that Regent has
13 a unique mission?

14 A I think a unique mission in
15 terms of its Christian orientation.

16 Q What makes it unique, simply
17 its Christian orientation?

18 A I hope its quality of
19 instruction.

20 Q Is it true that the Christian
21 Broadcasting Network appoints all 26 members of the
22 Board of Regent University?

23 A We can actually have 48, I
24 think.

25 Q You have 48?

Selig - Cross

1 A No, we could, I believe. But,
2 yes, they appoint them all.

3 Q And, in fact, there is an
4 overlap so that some of the members of the Board of
5 Regent are also on the Board of CBN; is that right?

6 A At present, yes. It's not a
7 requirement. It just happens to be that way.

8 Q Has Regent also received over
9 \$200 million from CBN?

10 A Yes, it has.

11 Q And is some of that money the
12 largest ever endowment to a private university, to
13 your knowledge?

14 A I don't think so anymore, but
15 it's close. A one-time gift.

16 Q Are you familiar with CBN and
17 its operations?

18 A Generally.

19 Q Is it true that it identifies
20 itself as a ministry?

21 A Well, it's a broadcast
22 organization with a Christian purpose. I suspect
23 some people would call it -- it would be a
24 parachurch organization.

25 MS. KHAN: Your Honor, if I may

1 confer with counsel.

2 THE COURT: All right.

3 MS. KHAN: Your Honor, I have
4 no more questions, except that I would
5 like to move the admission of the
6 exhibits to which I referred to Mr.
7 Selig.

8 THE COURT: Let's go back and
9 you tell me which ones they are.

10 MS. KHAN: Actually, perhaps
11 this would be an opportunity to go
12 through the exhibits and move all of
13 their admission.

14 THE COURT: Well, I don't know.
15 Mr. Broaddus said he wants to reserve his
16 right to object to specific exhibits for
17 other reasons. I think the better thing
18 to do is for you to move them as you have
19 witnesses refer to them.

20 I know you referred to Exhibit
21 5. Any objection to Exhibit 5, Mr.
22 Broaddus? And I don't mean to ignore
23 you, Ms. Glenberg. Can I correctly
24 assume that your interests are the same
25 as Ms. Khan's? You're not going to

1 object to any of her exhibits?

2 MS. GLENBERG: That's right,
3 Your Honor.

4 THE COURT: All right.

5 MR. BROADDUS: No objection to
6 Exhibit 5.

7 THE COURT: All right. Exhibit
8 5 is admitted.

9
10 NOTE: The above-referred-to
11 documents located in the Brief and
12 Exhibits of Barry Lynn and Other Virginia
13 Members of Americans for Separation of
14 Church and State in Opposition to
15 Issuance of Revenue Bonds to Regent
16 University at Tab 5 were marked and filed
17 as Defendant's Exhibit No. 5.

18
19 THE COURT: What's the next
20 one?

21 MS. KHAN: Exhibit 17.

22 THE COURT: Exhibit 16 was
23 referred to. Any objection to Exhibit --
24 I don't think 16 was referred to. Any
25 objection to 17?

1 MR. BROADDUS: No objection.

2
3 NOTE: The above-referred-to
4 documents located in the Brief and
5 Exhibits of Barry Lynn and Other Virginia
6 Members of Americans for Separation of
7 Church and State in Opposition to
8 Issuance of Revenue Bonds to Regent
9 University at Tab 17 were marked and
10 filed as Defendant's Exhibit No. 17.

11
12 MS. KHAN: 16 was referred to.

13 THE COURT: Any objection to
14 16?

15 MR. BROADDUS: No objection.

16
17 NOTE: The above-referred-to
18 documents located in the Brief and
19 Exhibits of Barry Lynn and Other Virginia
20 Members of Americans for Separation of
21 Church and State in Opposition to
22 Issuance of Revenue Bonds to Regent
23 University at Tab 16 were marked and
24 filed as Defendant's Exhibit No. 16.

1 MS. KHAN: 21 and 22.

2 THE COURT: 21 and 22. Any
3 objection to either of those?

4 MR. BROADDUS: No objection.

5 THE COURT: They both will be
6 admitted.

7
8 NOTE: The above-referred-to
9 documents located in the Brief and
10 Exhibits of Barry Lynn and Other Virginia
11 Members of Americans for Separation of
12 Church and State in Opposition to
13 Issuance of Revenue Bonds to Regent
14 University at Tab 21 and Tab 22 were
15 marked and filed as Defendant's Exhibits
16 Nos. 21 and 22, respectively.

17
18 MS. KHAN: Exhibit 5. That one
19 we've already dealt with.

20 MR. BROADDUS: No objection.

21 THE COURT: Exhibit 5 is
22 already admitted.

23 MS. KHAN: Exhibit 11.

24 MR. BROADDUS: No objection.

25 THE COURT: That's admitted.

1 NOTE: The above-referred-to
2 documents located in the Brief and
3 Exhibits of Barry Lynn and Other Virginia
4 Members of Americans for Separation of
5 Church and State in Opposition to
6 Issuance of Revenue Bonds to Regent
7 University at Tab 11 were marked and
8 filed as Defendant's Exhibit No. 11.

9
10 MS. KHAN: Your Honor, if the
11 Court would like the party to have a
12 witness refer to an exhibit, I would like
13 to continue with Mr. Selig and have the
14 balance of my exhibits admitted.

15 THE COURT: All right.

16 BY MS. KHAN: (Continuing)

17 Q If you would look at Exhibit 1,
18 please.

19 THE COURT: Any objection to
20 Exhibit 1?

21 MR. BROADDUS: No objection.

22 THE COURT: The Board's
23 resolution.
24
25

1 NOTE: The above-referred-to
2 documents located in the Brief and
3 Exhibits of Barry Lynn and Other Virginia
4 Members of Americans for Separation of
5 Church and State in Opposition to
6 Issuance of Revenue Bonds to Regent
7 University at Tab 1 were marked and filed
8 as Defendant's Exhibit No. 1.

9
10 THE COURT: All right.

11 BY MS. KHAN: (Continuing)

12 Q If you would look at Exhibit 2.

13 A (Witness complies.)

14 THE COURT: Newspaper article?

15 MS. KHAN: Yes, Your Honor,
16 these are newspaper articles. Does Mr.
17 Broaddus object to their admission?

18 MR. BROADDUS: I'm sure, yes.

19 MS. KHAN: Object to the
20 admission?

21 MR. BROADDUS: Yes, I object.

22 MS. KHAN: All right.

23 THE COURT: Any response to the
24 objection?

25 MS. KHAN: Your Honor, I

1 believe that these are -- inform the
2 Court about basic information that --

3 THE COURT: I assume the
4 objection is hearsay. What's your
5 response?

6 MS. KHAN: There is no
7 indication that what is in these articles
8 is of any controversial nature, and it
9 simply demonstrates --

10 THE COURT: That's not one of
11 the exceptions to the hearsay rule that
12 I'm aware of.

13 MS. KHAN: Well, the final
14 exception is indicia of the reliability,
15 and --

16 THE COURT: Newspaper articles?

17 MS. KHAN: Your Honor, unless
18 the defendants (sic) can indicate that
19 there is something inaccurate in these, I
20 think there is relatively nothing
21 controversial to these newspaper
22 articles.

23 THE COURT: Objection
24 sustained.

25 MS. KHAN: Exhibit 3.

1 THE COURT: Do you want me to
2 formally mark these Refused so they will
3 be a part of the record?

4 MS. KHAN: Yes, Your Honor,
5 please.

6 THE COURT: All right.

7 MS. KHAN: I believe the
8 faculty handbook has not yet been
9 admitted.

10 THE COURT: Any objection to
11 the faculty handbook?

12 MR. BROADDUS: No objection.

13
14 NOTE: The above-referred-to
15 documents located in the Brief and
16 Exhibits of Barry Lynn and Other Virginia
17 Members of Americans for Separation of
18 Church and State in Opposition to
19 Issuance of Revenue Bonds to Regent
20 University at Tab 3 were marked and filed
21 as Defendant's Exhibit No. 3.

22
23 MS. KHAN: The university
24 Mission Statement.

25 THE COURT: Why don't we do

1 this. We're going to take a -- do you
2 have any cross-examination?

3 MS. GLENBERG: No, Your Honor.

4 THE COURT: Is there any
5 redirect?

6 MR. BROADDUS: Judge, just one
7 question.

8 THE COURT: All right. I'm
9 going to fix it. Go ahead and ask your
10 question. You can have a seat, Ms. Khan.

11 MS. KHAN: Thank you.

12 THE COURT: We're going to take
13 a recess, and I'm going to let you, Ms.
14 Glenberg, and Mr. Broaddus get together,
15 tell me which ones there are no
16 objections to, and then you can argue the
17 ones to which there are objections.

18 MR. BROADDUS: Judge, we'll
19 certainly do that, but just as a general
20 proposition, we have no objection to
21 those documents which are Regent
22 University documents.

23 THE COURT: I didn't think you
24 did.

25 MR. BROADDUS: We object to

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1 those that are not.

2 THE COURT: You all can talk
3 and then make a list, and you can just
4 give me a list of the ones to which there
5 are no objection so I can mark them
6 during the course of the trial.

7

8

9

REDIRECT EXAMINATION

10 BY MR. BROADDUS:

11 Q Mr. Selig, reference was made
12 to the admissions policy for the university and the
13 number of bases upon which the university does not
14 discriminate with respect to student admissions.
15 And the document, I believe, that was shown to you
16 did not make reference to religion?

17 A Yes.

18 Q And I believe we went over this
19 earlier, but just so the record is clear. Does
20 Regent University admit students who are not
21 Christians?

22 A Yes, they do.

23 Q Does it discriminate in any way
24 on the basis of religion when considering student
25 admission?

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1 A No, that document is in error,
2 and I suspect in trying to put it together, the
3 people took the faculty document as opposed to the
4 student document. You know, you'll find other
5 errors like that, I'm afraid, particularly since we
6 got things on the internet.

7 MR. BROADDUS: Thank you.

8 THE COURT: Any other
9 questions?

10 MR. BROADDUS: No, sir.

11 THE COURT: Mr. Selig, thank
12 you very much, sir. You can step down
13 but I can't excuse you yet in case Ms.
14 Khan or Ms. Glenberg have any other
15 questions they want to ask about the
16 exhibits.

17 THE WITNESS: Yes, sir.

18

19

20

21

WITNESS STOOD ASIDE

22

23

24

25

THE COURT: We'll stand in

1 recess until quarter to 4:00.

2
3 NOTE: At this time recess is
4 had from 3:30 to 3:47 p.m., whereupon
5 court is reconvened; the hearing is
6 resumed as follows:

7
8 THE COURT: Have you all been
9 able to agree on which exhibits can be
10 admitted without argument? And I meant
11 to say before I left, I hope that you all
12 also talked about the Building
13 Authority's exhibits also, Mr. Broaddus's
14 exhibits that could be admitted without
15 argument. But if you didn't, we'll get
16 to it.

17 MS. KHAN: We didn't.

18 MR. BROADDUS: Judge, we object
19 to, if I could just use the word
20 Defendant's Exhibits 2, 14, 18, 24, 26.
21 And with respect to Exhibit 12, Judge, we
22 have no objection. These are the
23 articles of incorporation. We would like
24 to reserve the opportunity to make
25 certain that they are complete and on

1 Monday to supplement them if there's any
2 article that has been amended.

3 THE COURT: All right. And
4 those are the only ones that are objected
5 to?

6 MR. BROADDUS: Yes.

7 THE COURT: All right. All of
8 the other ones will be admitted.

9
10 NOTE: The above-referred-to
11 documents located in the Brief and
12 Exhibits of Barry Lynn and Other Virginia
13 Members of Americans for Separation of
14 Church and State in Opposition to
15 Issuance of Revenue Bonds to Regent
16 University at Tabs 4, 6, 7, 8, 10, 12,
17 13, 15, 19, 20, 23, and 25 were marked
18 and filed as Defendant's Exhibits Nos. 4,
19 6, 7, 8, 10, 12, 13, 15, 19, 20, 23, and
20 25, respectively.

21
22 THE COURT: Do you want to be
23 heard on these now, Ms. Khan?

24 MS. KHAN: Yes, Your Honor. We
25 are perfectly comfortable with them

Selig - Redirect

1 supplementing Exhibit 12.

2 THE COURT: All right.

3 MS. KHAN: Exhibit 14 we will
4 not move the admission of. Neither will
5 we move the admission of Exhibit 24 or
6 26.

7 We would, however, seek the
8 admission of Exhibit 18, and that is an
9 excerpt from a brief that was filed in
10 Habel v. Industrial Development
11 Authority. And so that I can understand
12 the basis of the objection, I don't
13 believe it's been stated.

14 MR. BROADDUS: Judge, I object
15 because --

16 THE COURT: Is this something
17 that was submitted by Regent?

18 MS. KHAN: Your Honor, no, it
19 was something that was submitted by the
20 Industrial Development Authority to
21 demonstrate -- and the only point of that
22 exhibit is that it says that Liberty
23 University was a university that was
24 accredited by the same entity that Regent
25 has been accredited by.

1 I actually believe that, that
2 is something the Court can take judicial
3 notice of, that it can be easily
4 verified, accurately and easily verified
5 from a reliable source that they are
6 accredited by the same entity. And that
7 is a case that bear's significant
8 relevance to the Court's decision. Both
9 of the parties have spoken extensively in
10 the briefing about that issue.

11 THE COURT: All right. I'm
12 going to sustain the objection.

13 Now, do you need Mr. Selig any
14 further?

15 MS. KHAN: Your Honor, I would
16 like to recall Mr. Selig for one point.

17 THE COURT: All right. Mr.
18 Selig.

19 MS. KHAN: Your Honor, I
20 apologize for my error. I withdraw the
21 request.

22 THE COURT: You do not need Mr.
23 Selig?

24 MS. KHAN: I do not.

25 THE COURT: Can Mr. Selig be

Gulyas - Direct

1 excused?

2 MR. BROADDUS: Yes.

3 THE COURT: Mr. Braxton, you
4 can tell Mr. Selig he can come in the
5 courtroom or he's free to leave, if he
6 would like to leave.

7 Your next witness, Mr.

8 Broaddus?

9 MR. BROADDUS: Stephen Gulyas.

10

11

12

13

14

15 STEPHEN MELVIN GULYAS,

16 a witness called by the Plaintiff, first
17 being duly sworn, was examined and testified as
18 follows:

19 DIRECT EXAMINATION

20 BY MR. BROADDUS:

21 Q Mr. Gulyas, state your name,
22 sir.

23 A My name is Stephen Melvin
24 Gulyas.

25 Q What is your position?

Gulyas - Direct

1 A My position is the
2 Vice-President of Operations and Finance at Regent
3 University.

4 Q How long have you held that
5 position, Mr. Gulyas?

6 A I started employment at Regent
7 University the 1st of March of 1998.

8 Q And in that particular
9 position?

10 A At the time, it was the same
11 function and title as George.

12 Q What, briefly, are your
13 functions, sir, your responsibilities?

14 A From a budget standpoint and a
15 financial management standpoint, I deal with that,
16 strictly with the university, across the
17 university, both from the academic side and the
18 support side. So it's the chief financial officer
19 for the University. From the operations side, the
20 support side, it has no interface of responsibility
21 in regards to the academic operations in the
22 university. It's support of the academics.

23 Q All right, sir. Were you
24 involved in putting together the application which
25 was submitted by Regent to the College Building

Gulyas - Direct

1 Authority?

2 A Yes, sir, I was.

3 MR. BROADDUS: Judge, if I may
4 approach?

5 THE COURT: All right.

6 BY MR. BROADDUS: (Continuing)

7 Q I'm going to show you a
8 document. Is this a copy of the package with the
9 application and the supporting data that was
10 submitted to the Authority by Regent?

11 A Without going through every
12 page, when I look at the principal schedules and
13 the dependencies, it's, basically, the application
14 -- it is the application that we provided.

15 Q And is it actually the package
16 that was submitted to the Authority members by the
17 Treasurer of Virginia?

18 A It was or is.

19 Q Just to make clear as to what
20 it contains, does it also contain several pages in
21 a letter from Barry Lynn?

22 A This package does, yes, sir.

23 Q And that was not submitted by
24 the university, but that was part of the package
25 that was submitted by the Treasurer to the

1 Authority?

2 A Yes, sir.

3 MR. BROADDUS: Judge, we'd like
4 to have this admitted.

5 THE COURT: Is there any
6 objection?

7 MS. KHAN: No objection, Your
8 Honor.

9 THE COURT: All right.

10 BY MR. BROADDUS: (Continuing)

11 Q Now, Mr. Gulyas, one of the
12 projects that the university desires to finance
13 through this proposed bond issue is the refinancing
14 of student housing at Virginia Beach?

15 A Yes, sir, that's correct.

16 Q Would you very briefly describe
17 to the Court what is anticipated there.

18 A What we would like to do is we
19 currently have an outstanding debt of \$5.5 million,
20 which is a result of Phase I university housing and
21 Phase II university housing. Phase I university
22 housing was financed through tax exempt funding. We
23 were validated back in '83 or '84 for tax exempt
24 funding.

25 When the need for additional

Gulyas - Direct

1 student housing was realized, and I think that was
2 in the early 90's. I don't know the exact date at
3 this time. But we got a blended rate. So we did
4 not pursue the tax exempt because the immediate
5 requirement for additional student housing, and
6 that was done through a conventional. So it's
7 blended between tax exempt and conventional
8 funding.

9 Q You gave a little more than I
10 had anticipated. That's understandable given the
11 open-ended nature of the question. I apologize for
12 that. Was the initial financing through an
13 industrial development authority?

14 A The initial funding of Phase I,
15 yes, sir.

16 Q Was that bond issue validated
17 by a certain quote of Commonwealth of Virginia, to
18 your knowledge?

19 A I can't answer that, because I
20 believe it was validated through the Virginia Beach
21 -- I think through the -- I really can't answer
22 that.

23 Q What do you mean by the term
24 validated?

25 A They approved the Authority to

Gulyas - Direct

1 issue the bond through conduit funding.

2 MR. BROADDUS: We'd ask the
3 Court to take notice of an order which
4 we've tendered, Exhibit 1 of our brief.

5 THE COURT: All right. Any
6 objection?

7 MS. KHAN: No, Your Honor.

8 MR. BROADDUS: Thank you.

9 THE COURT: All right.

10 BY MR. BROADDUS: (Continuing)

11 Q With respect, Mr. Gulyas, to
12 the portion of this project that involves the new
13 campus in Northern Virginia, Alexandria. I'd like
14 to address several questions to you concerning
15 that. If the Court holds that, under the
16 Constitution, the College Building Authority may
17 not issue bonds for a project which is used in any
18 way by a Divinity school, would the university,
19 nevertheless, request the Authority to go forward
20 with respect to the other projects, other portions
21 of the project?

22 A Yes, sir.

23 Q And with respect to the
24 Northern Virginia campus, again, if the Court were
25 to hold that it would be impermissible for the

Gulyas - Direct

1 Authority to issue bonds for a project that
2 included a facility to be used in part by the
3 Divinity school, even under the description that
4 the university would put up that portion of funding
5 equivalent to the use of time by the Divinity
6 school, would the university wish to have the
7 option to consider whether to use that facility
8 only for the graduate schools excluding the
9 Divinity school?

10 A We would like to have that
11 option.

12 MR. BROADDUS: Judge, that's
13 all the questions I have of Mr. Gulyas.

14 THE COURT: Cross-examination,
15 Ms. Khan?

16 MS. KHAN: No questions, Your
17 Honor.

18 THE COURT: Ms. Glenberg?

19 MS. GLENBERG: No questions.

20 THE COURT: Thank you very
21 much, Mr. Gulyas. You may step down,
22 sir. I'm going to assume that Mr. Gulyas
23 can be excused?

24 MR. BROADDUS: As far as our
25 witness.

1 THE COURT: You're free to
2 remain in the courtroom, if you'd like,
3 or you're free to leave.
4

5
6 -----
7 WITNESS STOOD ASIDE
8
9

10
11 THE COURT: You want to offer
12 this?

13 MR. BROADDUS: I apologize,
14 Judge. We'd like to have that admitted
15 as our next exhibit.

16 THE COURT: We'll make this
17 Plaintiff's Exhibit No. 1.

18 MR. BROADDUS: Thanks.
19

20 NOTE: The above-referred-to
21 Virginia College Building Authority
22 Meeting Package was marked and filed as
23 Plaintiff's Exhibit No. 1.
24

25 THE COURT: Mr. Broaddus, does

1 that complete the Authority's evidence?

2 MR. BROADDUS: It does, sir.

3 THE COURT: All right. The
4 Authority rests. Ms. Khan.

5 MS. KHAN: Your Honor, we'd
6 call Robert S. Alley to the stand.

7 THE COURT: Mr. Broaddus?

8 MR. BROADDUS: Judge, Mr. Sonne
9 is doing his best, and sometimes I don't
10 get it. We do need at next break to
11 discuss our exhibits. Subject to that,
12 we rest.

13 THE COURT: All right. Well,
14 which exhibits do you want to offer?

15 THE COURT: I've already
16 admitted C, D, E, and F. And you have
17 the application, which has now been
18 admitted. Do you want to offer exhibit
19 A, which is the resolution of the
20 Authority?

21 MR. BROADDUS: Yes, sir.

22 THE COURT: I think that's
23 already in.

24 MR. BROADDUS: I think that's
25 in, Your Honor.

1 THE COURT: It might be entered
2 as one of your exhibits.

3 MS. KHAN: Your Honor, sorry.
4 I was looking through this and getting a
5 little confused about what was admitted.
6 What exhibit are you referring to at the
7 moment?

8 THE COURT: Right now, Exhibit
9 A.

10 MS. KHAN: A?

11 THE COURT: Yes.

12 MS. KHAN: Exhibit A has been
13 admitted as our Exhibit 1.

14 THE COURT: No, this is Exhibit
15 A to the Authority's memorandum of law.

16 MS. KHAN: Right. It's the
17 same exhibit, so we have no objection.

18 THE COURT: Then I'll admit it.

19
20 NOTE: The above-referred-to
21 documents located in the Memorandum of
22 Law in Support of Motion for Judgment at
23 Tab A were marked and filed as
24 Plaintiff's Exhibit No. A.
25

1 MR. BROADDUS: Exhibit C has
2 been admitted. Exhibit D.

3 THE COURT: How about Exhibit
4 B?

5 MS. KHAN: Exhibit B we would
6 object to.

7 THE COURT: Mr. Broaddus, you
8 want to be heard on that or do you want
9 to withdraw?

10 MR. BROADDUS: Judge, we will
11 withdraw it.

12 THE COURT: Is that okay, Mr.
13 Sonne?

14 MR. SONNE: Yes.

15 MS. KHAN: Your Honor, I throw
16 myself upon the mercy of the Court in
17 this regard. I didn't realize that the
18 admission of other exhibits took place at
19 the close of the evidence.

20 THE COURT: He's reopening now
21 and asking me to allow them.

22 MS. KHAN: Okay. If we could
23 just take each of these in turn?

24 THE COURT: Yes, that's what
25 I'm doing.

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1 MS. KHAN: Okay.

2 THE COURT: A has been
3 admitted. B has been withdrawn. C has
4 already been admitted. D has already
5 been admitted. E and F have already been
6 admitted.

7 MS. KHAN: Well, E is the
8 exhibit as to which I did not understand
9 to have -- I did not realize was being
10 admitted.

11 THE COURT: All right.

12 MS. KHAN: Neither E nor F. I
13 would object to those.

14 THE COURT: You do object to E?

15 MS. KHAN: Yes.

16 THE COURT: That's Mr. Selig's
17 affidavit. If there's any question, you
18 can cross-examination him. I'll call him
19 back to the stand if you want to
20 cross-examine him. Everything in the
21 affidavit he recited on the witness
22 stand.

23 MS. KHAN: That's fine. I only
24 object because they have objected to the
25 introduction of Bob Alley's affidavit.

1 And if Bob Alley's affidavit isn't going
2 to be admitted, then Mr. Selig's
3 affidavit ought not to be admitted.

4 THE COURT: I'm allowing Mr.
5 Selig's affidavit. He has testified.

6 Exhibit F, I asked was there
7 any objection to it. I thought there was
8 none. Do you object to Exhibit F?

9 MS. KHAN: Yes, Your Honor.

10 THE COURT: How about the
11 exhibits to Exhibit F? Do you object to
12 those, because they were referred to by
13 Mr. Selig.

14 MS. KHAN: Those I believe I
15 did not object to, but let me -- those
16 were inadvertently left out, so they're
17 in a separate place. No objection.

18 THE COURT: No objection to the
19 exhibits. Do you need the affidavit, Mr.
20 Broaddus, if you have the exhibits?

21 MR. BROADDUS: No, sir.

22 THE COURT: All right. The
23 affidavit then is not admitted, but the
24 exhibits to the affidavit are admitted.

25 MS. KHAN: Your Honor, sorry to

1 back up for a second.

2 THE COURT: I beg your pardon?

3 MS. KHAN: I would not object
4 to Selig Affidavit Exhibit 2.

5 THE COURT: Selig affidavit and
6 all of the exhibits have been admitted.
7 If you object to them, they are being
8 admitted over your objection.

9 MS. KHAN: Okay.

10 THE COURT: We're now up to F.
11 We need to get through this. We're now
12 up to F.

13 MS. KHAN: Your Honor, we're
14 just at such a disability, because the
15 documents that we had, these were not
16 included in.

17 THE COURT: Well, there's only
18 one exhibit to --

19 MS. KHAN: No objection to --

20 THE COURT: Exhibit 1 to
21 Exhibit F is admitted.

22 MS. KHAN: Yes. No objection.

23 THE COURT: Exhibit G. Do you
24 still want that, Mr. Broaddus?

25 MR. BROADDUS: No, sir.

1 THE COURT: That is being
2 withdrawn. Exhibit H, an opinion from
3 the Eastern District of Michigan. That
4 wouldn't be an exhibit. That is
5 something you can refer to in your
6 argument.

7 MR. BROADDUS: We just did that
8 for the convenience of the Court, Judge.

9 THE COURT: Is there any
10 objection to making that an exhibit?

11 MS. KHAN: No.

12 THE COURT: All right. That
13 will be admitted.

14
15 NOTE: The above-referred-to
16 documents located in the Memorandum of
17 Law in Support of Motion for Judgment at
18 Tab H were marked and filed as
19 Plaintiff's Exhibit No. H.

20
21 THE COURT: Exhibit I.

22 MR. BROADDUS: Well, Judge,
23 that's a document of the Commonwealth of
24 Virginia.

25 THE COURT: Is there any

1 objection? This is pertaining to Liberty
2 University. Is there any objection to
3 this?

4 MS. KHAN: Yes, Your Honor.
5 Objection, hearsay.

6 THE COURT: Mr. Broaddus?

7 MR. BROADDUS: Judge, I think
8 the Court may take notice of an official
9 document of the Commonwealth of Virginia.

10 THE COURT: Maybe but why is
11 the document about Liberty University
12 relevant?

13 MR. BROADDUS: This document
14 authorizes TAG grants for Liberty after
15 April.

16 THE COURT: I'm just wondering
17 why is it relevant? I haven't heard any
18 evidence about Liberty University. I
19 know what I read in the paper. I know
20 they have a fairly good basketball and
21 football team. Other than that.

22 MR. BROADDUS: It's relevant,
23 Judge, to show how the Commonwealth has
24 approved an institution that is described
25 as Liberty was described in the Supreme

1 Court's decision.

2 THE COURT: All right. I'm
3 going to admit it over objection. You
4 all can argue that.

5
6 NOTE: The above-referred-to
7 documents located in the Memorandum of
8 Law in Support of Motion for Judgment at
9 Tab I were marked and filed as
10 Plaintiff's Exhibit No. I.

11
12 MR. BROADDUS: Judge, J is the
13 decree of the Circuit Court. I had
14 previously made reference to that.

15 THE COURT: Any objection to
16 that, Ms. Khan?

17 MR. BROADDUS: This is Catholic
18 bond issue that was issued for the
19 benefit of Catholic high school.

20 THE COURT: All right. Any
21 objection?

22 MS. GLENBERG: Your Honor, I
23 know that we didn't object to the other.

24 THE COURT: You all have one in
25 and now Mr. Broaddus has one in. This

1 will be the third court decision that
2 will be an exhibit. If you object, I'm
3 not going to let it in. If you don't
4 object, I'm going to let it in. But it
5 can still be referred to in argument.

6 MS. KHAN: No objection.

7 THE COURT: Let's make it an
8 exhibit.

9
10 NOTE: The above-referred-to
11 documents located in the Memorandum of
12 Law in Support of Motion for Judgment at
13 Tab J were marked and filed as
14 Plaintiff's Exhibit No. J.

15
16 MR. BROADDUS: K is the same,
17 is an exhibit to the same effect, Judge.

18 THE COURT: All right. K is
19 also admitted.

20
21 NOTE: The above-referred-to
22 documents located in the Memorandum of
23 Law in Support of Motion for Judgment at
24 Tab K were marked and filed as
25 Plaintiff's Exhibit No. K.

1 THE COURT: All right.

2 Anything else?

3 MR. BROADDUS: No, sir.

4 THE COURT: Thank you. Now,
5 Ms. Khan.

6 MS. KHAN: Yes, Your Honor.

7 Before we turn to Mr. Alley. In light of
8 the admission of Mr. Selig's affidavit, I
9 would like to move the admission of our
10 Exhibit 26, which is the affidavit of
11 Robert Alley. Or should I wait until
12 after?

13 THE COURT: Well, if he
14 testifies, then I'll consider that, but
15 not before he testifies.

16 MS. KHAN: All right. We would
17 call Robert Alley to the stand.

18

19

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25

Alley - Direct

1 ROBERT SUTHERLAND ALLEY,
2 a witness called by the Defendants, first
3 being duly sworn, was examined and testified as
4 follows:

5 DIRECT EXAMINATION

6 BY MS. KHAN:

7 Q Good afternoon, Mr. Alley.
8 Could you please state your full name for the
9 record.

10 A Robert Sutherland Alley.

11 Q And, what is your current
12 employment?

13 A I'm retired. I'm an Emeritus
14 Professor of Humanities, University of Richmond.
15 That was the title that was given me when I
16 retired.

17 Q Let's talk about your
18 educational background. What degrees do you have?

19 A I hold a B.A. from the
20 University of Richmond in political science and
21 then a B.D., Bachelor of Divinity, from Southern
22 Baptist Theological Seminary in Louisville and an
23 M.A. and a Ph.D. from Princeton University in the
24 fields of Bible history and ethics at Princeton
25 University.

Alley - Direct

1 Q As a result of your Divinity
2 training, did you after that become Ordained?

3 A Yes, in 1956 here in Richmond
4 at the First Baptist Church.

5 Q So you are an Ordained Baptist
6 minister; is that right?

7 A That's correct.

8 Q Moving to your employment
9 history. Where have you served as a professor?

10 A I served briefly at a small
11 school in Princeton, at the Hun School, as a
12 teacher of religion and history. And in 1961, I
13 went to William Jewell College in Missouri. I
14 stayed there for two years teaching Bible,
15 primarily, and a little bit of Christian history
16 and then came to the University of Richmond in 1963
17 as professor of Bible and religion and have retired
18 from the Religion Department in 1994.

19 Q So you stayed at the University
20 of Richmond as a professor from 1963 to 1994?

21 A That's correct. My title
22 changed on two different occasions, but, yes.

23 Q And how many publications have
24 you issued?

25 A Well, in terms of books, I have

Alley - Direct

1 10 that are in print and numerous articles in
2 various scholarly journals.

3 Q What would be the topics of
4 specialty for you?

5 A Well, primary focus for me in
6 my writing has been, over the past 15 years, in the
7 area of religion and history, particularly religion
8 and politics in this country dealing with Supreme
9 Court cases and First Amendment issues. I've also
10 written two or three books in the field of popular
11 entertainment, doing an assessment from an ethical
12 point of view of television. But that was done in
13 the 70's.

14 Q Have you published on the issue
15 of American religion?

16 A Yes. I have written several
17 articles dealing with the history of various
18 aspects of religion in the culture and have done
19 well. I've written history of several different
20 events in American history that relate history of
21 religion to politics.

22 Q What were the subject areas of
23 the classes that you have taught over the years?

24 A I began with teaching,
25 primarily, New Testament and Hebrew scriptures and

Alley - Direct

1 one or two courses in history. When I came to the
2 University of Richmond in 1963, I began to teach
3 more in the biblical area and did that for
4 approximately 10 years until I then shifted over in
5 a decision the Department made to specialize. I
6 became a specialist in history of religion and then
7 moved on to church and state issues.

8 Q Would that be history of
9 American religion?

10 A Yes, primarily.

11 Q Have you ever served as an
12 expert witness?

13 A Yes, I've served two or three
14 times. I was an expert witness for a Fundamental
15 Baptist preacher in Maryland who got cross purposes
16 with people who didn't understand Baptist policy,
17 which is something I know something about. I
18 testified for the ACLU in a case here in Richmond
19 having to do with a chaplain in a prison. And,
20 finally, I did do a deposition for the Rutherford
21 Institute having to do with license plates and what
22 is and what is not allowed on license plates. So
23 that was several years ago.

24 Q And what was the particular
25 issue that they wanted on the license plate?

Alley - Direct

1 A Well, the issue was whether or
2 not if -- there were some discussion of whether you
3 could put the word atheist on the license plate.
4 That was resolved. Then a question of whether you
5 could put God on the license plate. And the
6 Rutherford Institute and I both agreed that the
7 freedom, the open forum, public forum that you
8 created with respect to that issue on the license
9 plates would demand that you allow that.

10 Q As a university professor for
11 so many years, have you become familiar with
12 standards of academic freedom?

13 A Yes, ma'am, I became quite
14 concerned about that in the late 60's and became a
15 very active member of the American Association of
16 University Professors. And in the early 70's, as
17 President of the Chapter on the campus of the AAUP,
18 I appointed a committee to study the question of
19 tenure and academic freedom for the University of
20 Richmond. We had no statement on that subject. I
21 was on the committee, and with the cooperation of
22 the administration, we came to a conclusion on that
23 providing us with a very high level of protection
24 on tenure and academic freedom, which was passed by
25 the Board of Trustees in 1975.

Alley - Direct

1 Q So if I can break these down.
2 Can you tell us then, briefly, what were the
3 positions that you held related to academic
4 freedom?

5 A I was -- on the campus, I was
6 President of the local chapter. I was also
7 President of the Virginia Chapter of AAUP in
8 1976-77, and was responsible for writing, along
9 with my colleague, writing the report on tenure.

10 Q And how many years did you
11 serve as a professor in total?

12 A Well, from 1961 to 1993, I
13 think makes 33 years but I'm not a mathematician.

14 Q I'm showing you what has been
15 marked Exhibit 27, Defendant's Exhibit 27.

16 A Yes, ma'am.

17 Q Can you identify that document.

18 THE COURT: Have you given a
19 copy of that to opposing counsel?

20 MS. KHAN: I have supplied
21 opposing counsel with a copy of that,
22 Your Honor.

23 THE COURT: All right.

24 BY MS. KHAN: (Continuing)

25 A It's a brief resume.

1 Q Whose resume?

2 THE COURT: It's the resume,
3 Mr. Broaddus, that I think she just gave
4 you. It's not in the booklet.

5 BY MS. KHAN: (Continuing)

6 Q Did you identify that document?

7 A It's my resume, academic
8 resume.

9 MS. KHAN: Your Honor, I would
10 tender Mr. Alley as an expert in American
11 religions and biblical studies as well as
12 academic freedom at the college level.

13 THE COURT: Are there any
14 questions on Dr. Alley's qualifications?

15 MR. BROADDUS: Repeat again the
16 areas, please, Judge.

17 THE COURT: Repeat the areas
18 that you want him qualified as an expert.

19 MS. KHAN: American religions.

20 THE COURT: American religions.

21 MS. KHAN: Christianity.

22 THE COURT: Christianity.

23 MS. KHAN: Biblical studies.

24 THE COURT: Biblical studies.

25 MS. KHAN: Academic freedom at

Alley - Direct

1 the college level.

2 THE COURT: And academic
3 freedom at the college level.

4 MR. BROADDUS: I have several
5 questions, if I may, Judge.

6 THE COURT: Yes, sir.

7

8

9 VOIR DIRE

10 BY MR. BROADDUS:

11 Q Dr. Alley, the work that you
12 did pertaining to academic freedom, was that in
13 your capacity as a member of the American
14 Association of College Professors?

15 A No, that was as President of
16 the local chapter, but I did it in cooperation with
17 the Administration of the university. The
18 committee was a university committee appointed
19 jointly with the Administration to do this.

20 Q And was that under the auspices
21 of Southern Association of Colleges and
22 Universities?

23 A I think SACS was not very
24 actively involved in anything having to do with
25 this, that I can recall. We were not doing it

Alley - Direct

1 because of a self-study. We were doing it because
2 we needed the documents. So I don't recall any
3 involvement of Southern Association.

4 Q Have you had any involvement
5 with SACS?

6 A Yes, because I served on
7 self-study committees on two occasions when SACS
8 came to Richmond to deal with accreditation by that
9 organization of the University of Richmond.

10 Q And what areas were you
11 interested in? What were your areas of
12 responsibility in those self-studies?

13 A Well, one had to do with
14 students' social life, and one had to do with the
15 question of curriculum and how we would describe
16 our curriculum in regards to the request by SACS to
17 tell what we were doing.

18 Q With respect to American
19 religion, have you taught at any institutions other
20 than mentioned on your resume?

21 A Not that I can recall.
22 University of Virginia is mentioned on there. I
23 think I've got them all on there.

24 MR. BROADDUS: Judge, I object
25 to that portion of the designation that

Alley - Direct

1 pertains to American religion. That is
2 such a broad amorphous type of
3 designation. I have no idea what it
4 means. And while I'm sure that Dr. Alley
5 is well read and has taught religious
6 classes for a long time, I don't see how
7 that particular designation is relevant
8 to this case.

9 The same with respect to
10 Christianity and with respect to academic
11 freedom at the college level. While he
12 has some experiences, he has not had
13 experiences with respect to SACS, which
14 is the accrediting organization. I think
15 his experience is too limited to give him
16 the designation of expert.

17 THE COURT: Well, are you
18 objecting to Dr. Alley's qualifications
19 or are you objecting to the proffer of
20 opinion testimony on the subjects that
21 Ms. Khan says she wants to explore?

22 MR. BROADDUS: It would be to
23 the proffering of opinions as an expert
24 on those areas.

25 THE COURT: Ms. Khan, why do

1 you think the Court needs help on those
2 areas that you've mentioned?

3 MS. KHAN: Your Honor, we
4 actually would withdraw the effort to
5 have him designated as an expert on
6 American religion.

7 THE COURT: How about the rest
8 of them?

9 MS. KHAN: With respect to the
10 rest of it, first of all, taking
11 Christianity and biblical studies. Our
12 effort is to demonstrate to the Court
13 that the point of view taken by Regent
14 University is actually a narrow, very
15 sectarian point of view that is at the
16 margin of Christianity such that it
17 excludes the vast majority of Protestants
18 in addition to every other religion
19 beyond Christianity. So that is why we'd
20 like to explore that issue that's
21 relevant to the Court's assessment of how
22 to understand the mission of the
23 university.

24 THE COURT: Let's see where you
25 go. I'm just not sure that -- you know,

Alley - Direct

1 the only time the Court allows expert
2 testimony is when the fact finder needs
3 assistance in understanding some fact or
4 effect. I mean, the statute says what it
5 says and the documents that you all have
6 introduced say what they say and I've
7 heard testimony which says what it says.

8 MS. KHAN: I don't know Your
9 Honor's familiarity with Christianity,
10 but I can say to the Court that I learned
11 a great deal speaking with Mr. Alley, and
12 I certainly did not know the broad range
13 of Christianity.

14 THE COURT: I'm sure I can
15 learn a whole lot about stop lights from
16 a traffic engineer, but I don't allow
17 expert testimony to tell the jury that
18 somebody ran a red light.

19 MS. KHAN: Your Honor, if I can
20 proceed to question Mr. Alley, I think it
21 will become clear that the level of
22 testimony is going to be at a much more
23 sophisticated level than that. If we do
24 enter into terrain that the Court already
25 knows about, we can cease at that point.

1 But I do think it would be helpful to the
2 Court to get an understanding of the
3 overview and who is included, who would
4 be admitted to Regent and who would not
5 pursuant to these policies.

6 THE COURT: I just don't think
7 it's going to be helpful to the Court,
8 and I'm going to sustain the objection.

9 MS. KHAN: And with respect to
10 academic freedom, we would like to
11 explore the limits that the Mission
12 Statement and Statement of Faith, which
13 are required to be adhered to by faculty,
14 impose on the presentation of courses.

15 THE COURT: Well, are you going
16 to have Dr. Alley tell me what academic
17 freedom is or are you going to have him
18 tell me Regent has policies and mission
19 statements and goals which are not
20 consistent with academic freedom?

21 MS. KHAN: The latter.

22 THE COURT: Okay. Well, I
23 don't think he can do that. I mean, I
24 know the statute has changed and the
25 General Assembly has kind of modified the

Alley - Direct

1 old traditional standard that you can't
2 have testimony on the ultimate issue of
3 fact, but that's the ultimate issue of
4 fact in this case.

5 MS. KHAN: Well, he will talk
6 about how narrow is this Statement of
7 Faith and has he ever been required as a
8 university professor at other schools,
9 and some of them being religiously
10 affiliated, to sign a mission statement.
11 Has he had his academic freedom narrowed
12 in this way.

13 THE COURT: I'm sorry. I don't
14 think it's going to be helpful to the
15 Court. I don't mean any disrespect to
16 you, Dr. Alley. I just don't think
17 that's going to be helpful to me. The
18 objection is sustained.

19 Is there any factual evidence
20 that you want to get from Dr. Alley?

21 MS. GLENBERG: Your Honor, may
22 I raise a couple of points and just
23 highlight a few things in support of Mr.
24 Alley's testimony?

25 THE COURT: Sure.

1 MS. GLENBERG: I think that
2 what Mr. Alley's testimony will do that
3 can't be gleaned so easily from the
4 exhibits and from the testimony that
5 we've already had is to apply his unique
6 knowledge in both the areas of religion
7 and academic freedom, not to testify to
8 the ultimate issue of fact, which is, is
9 this institution pervasively sectarian
10 but to show the way that these policies
11 that Regent University has bring it
12 outside the mainstream of American
13 universities and, indeed, even
14 religiously affiliated universities in
15 the degree that they restrict academic
16 freedom. And in that way, we'll present
17 the Court with more information on which
18 to make a finding as to whether the
19 institution is pervasively sectarian.

20 THE COURT: I appreciate that
21 but I'm not going to allow it over the
22 objection.

23 MS. KHAN: I would have one
24 factual question for Mr. Alley.

25 THE COURT: All right.

1 BY MS. KHAN: (Continuing)

2 Q Mr. Alley, do you know whether
3 Liberty University is accredited by the Southern
4 Association of Colleges and Schools?

5 A Liberty?

6 Q Liberty.

7 A Yes, it is.

8 MS. KHAN: Thank you, Your
9 Honor. That's my only question.

10 THE COURT: Ms. Glenberg or Mr.
11 Ferris, do you all have any questions for
12 Dr. Alley?

13 MR. FERRIS: No, Your Honor.

14 THE COURT: Mr. Broaddus?

15 MR. BROADDUS: No
16 cross-examination.

17 THE COURT: Thank you very
18 much, Dr. Alley. You may step down. I
19 hope that didn't seem too discourteous to
20 you in not allowing the questions.

21 THE WITNESS: Not at all.

22

23

24

25

WITNESS STOOD ASIDE

1 THE COURT: Any other evidence
2 for the defendant?

3 MS. KHAN: No, Your Honor.

4 THE COURT: Mr. Broaddus, are
5 you all prepared to make your closing
6 argument?

7 MR. BROADDUS: We are, sir.

8 THE COURT: All right.

9 MR. BROADDUS: Is the Court
10 prepared for us to go forward?

11 THE COURT: Yes.

12 MR. BROADDUS: Judge, first, if
13 I may, I'd like to express our
14 appreciation for the opportunity to be
15 heard as promptly as we have, as the
16 Court has afforded us. We are
17 appreciative of that.

18 Judge, the issue before the
19 Court arises under the Constitution of
20 the United States as well as the
21 Constitution of Virginia. And I'd like
22 to begin by reviewing the Constitution of
23 the United States and the decisions of
24 the Supreme Court of the United States,
25 because as the Supreme Court has

1 indicated that it will give deference to
2 decisions of the Supreme Court on similar
3 issues and similar Constitutional
4 provisions.

5 Scholars generally agree,
6 Judge, that the Supreme Court's doctrine,
7 if you will, concerning the Establishment
8 Clause began in 1947 with the Everson
9 case. I'm not going to go through all of
10 these, but that was the case in which the
11 court upheld the provision of aid in
12 transportation including students who
13 were attending sectarian schools. And
14 the court's rationale, essentially,
15 embraced a neutrality provision saying
16 that this was a program that was
17 available to all school children, was not
18 one that was tailored simply to those
19 attending sectarian schools but all
20 schools, and it would be inappropriate to
21 exclude those who were attending
22 sectarian schools.

23 After that decision in 1947,
24 the Supreme Court adopted a more specific
25 test concerning purpose, effect, and

1 entanglement. And it's handed down
2 several decisions after embracing those
3 criteria. Among the decisions that have
4 been handed down is the Walz decision in
5 which the Court upheld tax deductions for
6 rural property owned by churches. In
7 Hunt v. McNair, where the Supreme Court
8 considered the South Carolina program,
9 which was virtually identical to the
10 Virginia program, in which the Court
11 upheld the use of conduit funding for the
12 college, the Baptist College in
13 Charleston.

14 More recently, Judge, the
15 Court, appears to me, has gone back
16 toward a neutrality analysis. In the
17 Rosenberger decision, for example, which
18 concerned funding of printing costs for a
19 publication, Wide Awake, at the
20 University of Virginia. As the Court
21 will know from reading that decision,
22 that magazine, if you will, was a very
23 religious magazine that was devoted
24 toward advocacy of particular religious
25 points of view. The Supreme Court said

1 that it was okay for the university to
2 fund the printing costs, because it was
3 part of a broad program that was
4 available to all qualified student
5 organizations and that it should not be
6 denied to this particular one on the
7 basis of religion.

8 And just two years ago in the
9 Agostini case, the Court upheld the
10 funding for state funded Title I teachers
11 in sectarian schools and reversed an
12 earlier decision which had included that.
13 These are teachers that are designed to
14 assist in teaching the disabled. Again,
15 the Court appeared to be proceeding on
16 the basis that this was a broad neutral
17 program not designed to religion and that
18 to deny religious schools the opportunity
19 to participate in this would be to
20 discriminate against religion.

21 Justice Thomas wrote a
22 concurring decision in Rosenberger in
23 which I think he summarized well the
24 modern trend when he observed that our
25 nation has a long tradition of permitting

1 religious adherence to participate on
2 equal terms in neutral government
3 programs. And that, essentially, is the
4 situation here.

5 With respect to the facts of
6 this case, Judge, the aid provided here
7 is much more indirect, much less direct
8 from that state funding provided for the
9 teachers in Agostini or the funding of
10 the printing cost in Rosenberger. Here
11 there are no public dollars at all.
12 None. Not a single dollar. The only
13 thing that is involved is a tax deduction
14 for those individuals who wish to lend
15 money to Regent University.

16 THE COURT: But that has a very
17 direct benefit to Regent, because people
18 are usually more inclined to lend money
19 if they know they're going to get a tax
20 deduction than if they're not going to
21 get a tax deduction.

22 MR. BROADDUS: It's not a
23 direct benefit in the sense that the
24 Supreme Court has used the
25 indirect/direct analysis. A direct

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1 benefit would be a state appropriation of
2 public monies going to Regent for TAG
3 grant purposes or for maintenance of
4 buildings. Here the indirect -- here the
5 direct benefit is to the lender to be
6 sure Regent obtains an indirect benefit
7 and that it is able to spend fewer
8 dollars to finance construction.

9 But the Supreme Court has, I
10 think, made it very clear that simply
11 because of a savings made possible by a
12 government program, the consequences of
13 which may enable the sectarian
14 institution to free up dollars to spend
15 elsewhere, that result, that consequence
16 in no way violates the Constitution or
17 the Establishment Clause. So, yes,
18 Regent saves debt, if you will, debt
19 dollars, dollars spent on debt, but that
20 does not in any way implicate the
21 Establishment Clause.

22 Now, Judge, it's clearly
23 constitutional for donors to take a tax
24 deduction for gifts to churches. When
25 the offering plate is passed and someone

1 puts an offering in, that can be deducted
2 from income taxes. All that is involved
3 here is a tax deduction by a lender. In
4 other words, then assume that if it's
5 permissible to take a tax deduction for a
6 direct gift to the institution, then a
7 person who lends a small bundle of
8 sticks, if you will, certainly ought to
9 be entitled to the same tax deduction.

10 With respect to the Virginia
11 Constitution in the Habel case. As is
12 apparent from that decision, the Virginia
13 Supreme Court looks to the Supreme Court
14 of the United States for interpretation.
15 It did so in that case. Considering the
16 court continues to do so, it would be a
17 likely result that the Supreme Court of
18 Virginia would reach a different result
19 in Habel.

20 The time of Habel, 1991, the
21 Supreme Court of the United States had
22 not returned to the indirect neutrality
23 concepts that embrace Rosenberger and
24 Agostini. The Supreme Court of Virginia
25 went under earlier tests. So we think it

1 likely that Habel would be decided
2 differently today. But, Judge, we do not
3 ask this Court to anticipate whether the
4 Supreme Court would overturn Habel. We
5 do not need to do so. That case is
6 distinguishable on the facts in this
7 case.

8 So assuming but not conceding
9 the validity of the law as articulated in
10 Habel, we submit that this case passes
11 muster. It does so unless the evidence
12 is demonstrated that religion is so
13 pervasive that a substantial portion of
14 its functions are subsumed in the
15 university's religious mission. That
16 test is taken from Hunt, which we think
17 is no longer applicable, but if it is
18 applicable, we pass that test.

19 In amplifying on that test, the
20 Supreme Court of the United States said
21 that the determination must be made
22 whether the college's operations are
23 oriented significantly towards sectarian
24 rather than a secular education. In
25 other words, there's got to be far more

1 than 50 percent towards sectarian rather
2 than secular. That is stated by the
3 Fourth Circuit in the Columbia Union
4 case. To violate the Constitution, it
5 must be apparent that the sectarian
6 functions thoroughly dominate the secular
7 functions.

8 So has there been evidence here
9 that there is a significant orientation
10 for sectarian or a thorough domination of
11 sectarian over the secular? In Habel the
12 Court focussed on Liberty's requirements
13 that faculty and students attend church
14 and chapel six times a week, that faculty
15 and students subscribe to Liberty's
16 doctrines, that the notion of academic
17 freedom was circumscribed by Liberty's
18 doctrinal statements and Liberty's
19 pervasive aim was equipping young men,
20 young women for an Evangelistic ministry
21 in the local church. Those faculties led
22 the court to conclude that religion was
23 pervasive at Liberty, such that a
24 substantial portion of its functions was
25 subsumed in its religious mission.

1 Comparing the facts there to
2 the facts at Regent. At Regent, students
3 are not required to attend church or
4 chapel. They were at Liberty. At
5 Regent, faculty, while expected to attend
6 chapel, are not required to do so, and
7 there is no disciplining of them if they
8 fail to do so. The testimony was that 15
9 to 20 percent of the faculty attend.
10 That's all. Conversely, at Liberty, they
11 were required to attend.

12 With respect to academic
13 freedom. According to the report of
14 SACS, the accrediting agency, academic
15 freedom fully exists at Regent. It did
16 not do so at Liberty. With respect to
17 the possibility that Regent, through its
18 faculty, would proselytize students, the
19 evidence is clear from Mr. Selig that,
20 that is not permitted. It appears that
21 at Liberty, that was the mission and that
22 was the requirement.

23 At Regent, there is no
24 religious requirement pertaining to
25 student admission. There are inquiries

1 made as an indication of maturity, but a
2 student is not denied admission on the
3 basis of religious beliefs. Evidence is
4 that there are non Christians, there are
5 Muslims, there are Jews at Regent. It
6 appears from the facts set forth in
7 Liberty that there was a requirement.

8 And finally, there is no
9 indication, whatsoever, Judge, that the
10 administration or the management is
11 dominated by the appointing body. To the
12 contrary. It's clear from Mr. Selig's
13 testimony today --

14 THE COURT: Let's go back to
15 one thing you said and Mr. Selig said it,
16 too, that there are Muslims and Jewish
17 people at Regent.

18 I'm looking at Defendant's
19 Exhibit 5, which is page 18 of
20 Defendant's Exhibit 5, which is the
21 Community Life Form for the School of
22 Education. And it says that it is
23 expected that our students will both
24 understand and be committed to the
25 following articles.

1 I'm not going to read each one
2 of them, but I don't see how a Jewish
3 person or a Muslim can be committed to
4 these things. Maybe they go there to get
5 an education, but I don't know how in the
6 world they can be committed. How can a
7 Jewish person be committed to the Father,
8 the Son, and the Holy Spirit?

9 MR. BROADDUS: Judge, if I may,
10 I think it's important to understand that
11 what that says is committed to receiving
12 an education in accordance with that. It
13 doesn't require them to believe that.
14 They don't have to believe it.

15 THE COURT: Well, an education
16 in accordance with.

17 MR. BROADDUS: Right. The sole
18 intent of that is to assure that students
19 know of the perspective from which they
20 will be taught. They don't want somebody
21 to come in and say, oh, gosh, I didn't
22 realize --

23 THE COURT: That would be fine
24 to say if you understand this, but it
25 says understand and committed to. What

1 is it that they're being asked to be
2 committed to?

3 MR. BROADDUS: To receiving an
4 education that's offered in accordance
5 with those articles, not to believe in
6 it, not to committing to those
7 principles. I think Mr. Selig's
8 testimony was clear on that fact. They
9 don't have to. They're simply asked to
10 acknowledge that the perspective from
11 which they are to be taught is in
12 accordance with those perspectives.

13 THE COURT: All right.

14 MR. BROADDUS: And the essence
15 of it was, as I understood his testimony,
16 I think he was clear that the purpose was
17 to derive principles of fairness, of
18 truth, of justice, of love, and to see
19 how those principles measure up against
20 the requirements from which one is being
21 taught.

22 THE COURT: Well, look at
23 Exhibit 16, which is the handbook. This
24 is the employee handbook, I understand,
25 but the third page of that exhibit says,

1 because the purpose of the university is
2 to serve and glorify the Lord Jesus
3 Christ. It is essential that all members
4 of the university community, which I
5 assume includes the students, approach
6 Him, Jesus Christ, as a body to seek His
7 guidance. Again, I find it hard that a
8 Jewish person would seek Jesus Christ's
9 guidance.

10 MR. BROADDUS: Judge, I
11 understand the questions, and I think
12 that the important aspect is not to focus
13 so much on the rhetoric but on the
14 practical day-to-day aspects of life at
15 Regent. And the unchallenged testimony
16 is that, one, religious requirements are
17 not a condition of student admission;
18 that non Christians are admitted; that
19 non Christians are in attendance; that
20 they are not in any way discriminated
21 against and are not obligated to adopt a
22 particular belief; and the fact that they
23 are prohibited from proselytizing.

24 THE COURT: I hear you.

25 MR. BROADDUS: And that's the

1 evidence. Now, we think it's important,
2 Judge, to look at the testimony of the
3 practice at the university rather than
4 generalized rhetoric.

5 Now, Judge, with respect to the
6 Virginia Constitution. Section 16 of
7 Article I permits participation in a
8 program, we submit, in which 35 other
9 institutions have been permitted to
10 participate. The Bill of Rights in the
11 Virginia Constitution prohibits the
12 General Assembly from conferring peculiar
13 privilege or advantage on church. It's
14 not a peculiar privilege or advantage to
15 be allowed to participate in a program
16 that's made available to all others on a
17 nondiscriminatory basis. That's what we
18 ask this Court to affirm here.

19 With respect to Article XI --
20 I'm sorry -- Section 11 of Article VIII,
21 it's certainly not a violation of that,
22 because Regent is not an institution
23 whose primary purpose is religious
24 training and theological education. As
25 Mr. Selig testified, the essence and the

1 importance is excellence in education.

2 Finally, we ask the Court to
3 take note of the most recent decision of
4 any court, that we're aware of, and
5 that's United States District Court for
6 the Eastern District of Michigan, the
7 Walter Johnson case that we attached and
8 submitted. There the Court considered
9 the conduit financing program virtually
10 identical to this. It's a broader
11 program but similar to it.

12 The institution there, Judge,
13 was a Roman Catholic elementary and
14 secondary school, which described itself
15 as, and I quote, a Christ-centered school
16 operating in the evolving tradition of
17 the Church, end of quote. Among its
18 goals and criteria, which applicants for
19 admission had to subscribe to, was,
20 quote, to educate personal and active
21 faith in God. Other documents show that
22 the school, and I quote, commits itself
23 to a personal and active faith in God
24 rooted in the love of Jesus Christ.
25 School permits personal and community

1 prayer with reflection, end of quote.

2 But that court reviewed all of
3 the Supreme Court cases that are on point
4 and concluded that where there was
5 indirect aid -- that's where the benefit
6 is to a third party with the residual
7 benefit coming to the university -- and
8 the program is financed through a neutral
9 nonreligious-based effort, that it was
10 certainly permissible to authorize
11 participation. The Court found that it
12 wasn't necessary, under those
13 circumstances, to inquire into the actual
14 practice of the institution, because
15 where you had an indirect aid or benefit
16 and you also had the fact that the aid is
17 from a neutral perspective, those two in
18 combination demonstrate that there's no
19 effect to advance religion. And that's
20 what the essence is, Judge, is there an
21 effect to advance religion by the State.
22 Permitting the participation in a neutral
23 program does not end up in that
24 situation.

25 Now, Judge, I would ask the

1 Court to just in summary form consider
2 the Supreme Court United States decisions
3 which have upheld aid in some form, some
4 of the direct appropriations. Everson,
5 that permitted aid in transportation;
6 Allen, that permitted textbooks to be
7 furnished; Hunt, that permitted bond
8 proceeds under a program very similar to
9 this; Roemer, that permitted grants to be
10 used for nonsectarian purposes; Meuller
11 v. Allen, that permitted tax deductions
12 for tuition that was paid to a sectarian
13 institution; and Zobrest, that permitted
14 the furnishing of aid to a disabled
15 student who attended a sectarian
16 institution. All of those were permitted
17 because they were part of a neutral
18 program, not part of a program designed
19 solely to benefit religion.

20 And, conversely, where the
21 court has struck down programs such as
22 the furnishing -- supplementing of
23 teacher's salary or the furnishing of
24 textbooks is because there was a narrow
25 program designed to advance a particular

1 religious type of school. And we don't
2 have that here. We have a very broad
3 program, neutral, one in which a lender
4 gets a tax deduction. And under our
5 doctrine, we submit that, that is
6 constitutional.

7 And because this case is so
8 factually different from Liberty, we
9 submit that Habel is not controlling and
10 that the Supreme Court of Virginia would
11 follow the present interpretation of the
12 Establishment Clause when it interprets
13 the Virginia Constitution and that the
14 indirect benefits from a neutral
15 perspective assure the Court and the
16 people that the Constitution is not being
17 violated, because there's no purpose to
18 advance religion. So for these reasons,
19 Judge, we would ask the Court to grant
20 our Motion for Judgment.

21 Judge, as the Court will
22 recall, we've raised the issue of the
23 Divinity School in the Northern Virginia
24 campus. We believe that such a school
25 can be housed in that building provided

1 the university submits an equity
2 contribution which is in proportion to
3 the use. We hope that the Court will
4 address that and grant our request in
5 that regard as well.

6 In the event that the Court
7 declines to approve that particular
8 aspect, we would ask that the Court,
9 nevertheless, validate the bonds upon the
10 condition that proceeds not be used to
11 provide a facility that would include the
12 School of Divinity. That would give the
13 university the option to decide how it
14 would wish to proceed.

15 THE COURT: All right.

16 MR. BROADDUS: We thank the
17 Court again and appreciate your
18 attention.

19 THE COURT: Thank you very
20 much, Mr. Broaddus.

21 Ms. Khan.

22 MS. KHAN: Mr. Broaddus is,
23 essentially, asking the Court to
24 disregard Hunt v. McNair and Habel. This
25 Court cannot do that. A quote from

1 Agostini v. Felton, which is a 1997
2 United States Supreme Court case that
3 says, if a precedent of this court has
4 direct application in a case yet appears
5 to rest on reasons rejected in some other
6 line of decisions, the Court of Appeals,
7 and this court also, should follow the
8 case which directly controls, leaving to
9 the Supreme Court the prerogative of
10 overruling its own decisions.

11 Hunt and Habel are very clear.
12 If Regent is pervasively sectarian, it
13 cannot get these bonds. It doesn't
14 matter whether those bonds are direct or
15 indirect or how one classifies them. The
16 Plaintiff has relied on a decision out of
17 the Eastern District of Michigan to argue
18 that. That was a demonstration of a
19 district court essentially disregarding
20 the directive in Agostini by reviewing
21 the case law and deciding that Hunt v.
22 McNair didn't control in that
23 circumstance. That court may have failed
24 to conduct itself appropriately. I don't
25 think that's true.

1 There is a discussion, although
2 it's not labeled as a pervasively
3 sectarian discussion, where the court
4 said that the school did not give a
5 preference in admissions to Roman
6 Catholics. A preference. It didn't even
7 talk about whether it was absolutely
8 required. It said, there is no religious
9 affiliation requirement or preference
10 with respect to teachers, that the school
11 didn't even inquire into the religious
12 affiliation of prospective faculty
13 members. So that case did involve a very
14 different kind of circumstance where the
15 court did, in fact, get at what underlies
16 the pervasively sectarian inquiry.

17 The other -- there are three
18 cases on which Regent relies, all of
19 which have been admitted, which relate to
20 the issuance of bonds to Regent itself on
21 one occasion and two other religiously
22 affiliated institutions. In none of
23 those cases did a defendant object. So
24 the court never had the argument that the
25 institution was pervasively sectarian to

1 contend with. So those are not
2 precedential, have no precedential value
3 on the question before this Court.

4 Now, moving to the pervasively
5 sectarian factors. Regent asserts in its
6 brief, without any citation, that the
7 most important of these deals with
8 students. In their reply, they make the
9 same assertion, and this time they cite
10 to their opening brief. The reason there
11 is no citation is that there's no support
12 for this proposition. The Supreme Court
13 has never said that. No court, to my
14 knowledge, has ever said that.

15 And if you step back from what
16 is at issue in a pervasively sectarian
17 analysis, it becomes clear that the most
18 important factors are those that deal
19 with faculty and those that deal with
20 integration of religion into the
21 curriculum. And the reason I say that is
22 that the Court has been very clear that
23 the reason we have a pervasively
24 sectarian inquiry is to find out whether
25 -- I quote here from Roemer -- whether

1 you can fund this without fear of
2 religious indoctrination.

3 Tilton and Hunt spoke about
4 whether the religious and secular
5 educational functions are inseparable.
6 That's why we ask if they're pervasively
7 sectarian. And when you're dealing with
8 an educational institution, the
9 advancement is happening by the faculty
10 through their message, which is their
11 curriculum. And I submit that those two
12 factors are of greater importance.
13 Students are simply the receptacles of
14 that advancement. They are not the ones
15 doing the advancement themselves.

16 But taking each of these
17 factors in turn, in Tilton, Hunt, and
18 Roemer -- and I cite to those three
19 cases, because those are the three cases
20 in which the Supreme Court has addressed
21 the pervasively sectarian analysis in the
22 context of universities. And in none of
23 them was religious worship required of
24 students or faculty. Here we have a
25 circumstance --

1 THE COURT: Well, Mr. Broaddus
2 said it's not required here. It's
3 expected but that is not required, that
4 there are no sanctions imposed upon
5 anyone who does not attend chapel.

6 MS. KHAN: That's right, Your
7 Honor. There is, however, a policy that
8 says it is imperative that students are
9 to engage in regular church attendance.
10 And you have students who are coming --

11 THE COURT: Where does it say
12 that?

13 MS. KHAN: The faculty handbook
14 at page 6.

15 THE COURT: Which one is the
16 faculty handbook?

17 MS. KHAN: Excuse me, Your
18 Honor. I believe it's Exhibit 3.

19 THE COURT: Page 6?

20 MS. KHAN: Page 6.

21 THE COURT: All right. It says
22 regular church attendance. Okay.

23 MS. KHAN: And the employee
24 handbook, which is Exhibit 16, says that
25 all employees are expected to be in

1 chapel unless they get an exemption from
2 their supervisor.

3 Now, you have people who are
4 coming to the school, students, who read
5 these policies, and it is conveyed to
6 them that it is imperative that they
7 engage in regular church attendance. And
8 when we are wondering, when we're
9 engaging in a pervasively sectarian
10 analysis, we look at the message that the
11 college is sending to students. And the
12 message, clearly, is that it's imperative
13 that you attend church regularly. So you
14 must attend chapel unless you have a
15 specific exemption from your supervisor,
16 if you're an employee. It is imperative
17 that you attend chapel.

18 And the evidence also
19 demonstrated that if you're a faculty
20 member, that you are evaluated at
21 performance reviews on whether you attend
22 chapel. To say that you're not required
23 to do so is really playing fast and loose
24 with the word require. You don't get
25 fired. We would admit that there was no

1 evidence demonstrating that you would get
2 fired, but there, certainly, is evidence
3 that religious worship is a strong
4 guiding principle of this university and
5 you are strongly encouraged and expected,
6 in fact, to attend.

7 Moving on to the next point.
8 To what extent do religious influences
9 dominate the academic curriculum. This
10 is an institution that was formed so that
11 religious influences dominate the
12 academic curriculum. Its very mission is
13 to ingrate Christianity into its
14 educational mission.

15 In Tilton and Hunt and Roemer,
16 there was no indication. Existing
17 religious restrictions in Tilton were not
18 even enforced and that schools subscribed
19 to the 1940 statement of principles on
20 academic freedom of the American
21 Association of University Professors.
22 And the court found that important.

23 In Hunt, there was no
24 indication of religious restrictions on
25 academic freedom. And in Roemer, you

1 have the same situation. You had a
2 situation in which there were courses on
3 religion, but it was a broad spectrum of
4 a Liberal Arts program that was not
5 religiously based. And, again, those
6 colleges subscribed to the 1940
7 statement.

8 Here we have a situation much
9 more like Habel. Faculty were obligated
10 in Habel to conform to the Liberty
11 University's doctrinal statements. And
12 that's exactly what we have here. We
13 have an institution like Liberty. They
14 use their accreditation by the Southern
15 Association of Colleges and Schools to
16 suggest that they have wide academic
17 freedom. But, in fact, as Mr. Alley
18 testified, Liberty University is also
19 accredited by the same governing body.

20 And Regent doesn't say that it
21 subscribes to the 1940 statement of
22 American Association of University
23 Professors. That was the academic
24 freedom policy that the Supreme Court has
25 taken to be some indication of the

1 existence of academic freedom.

2 Regent requires -- it is a
3 formal requirement, which is present in
4 the faculty handbook at pages 13 and 27
5 -- that faculty integrate Christian
6 principles into their classes. On page
7 27, it says that they are evaluated on
8 their success in integrating Christian
9 principles into their classes.

10 The syllabus for each class --
11 this is in the faculty handbook at page
12 47. The syllabus for each class
13 requires, and I quote, a description of
14 how the Christian faith and the Bible
15 will be incorporated into the course.
16 That's for every single course, and that
17 syllabus needs to be filed in the Dean's
18 office.

19 To the third factor. How much
20 do religious preferences shape the
21 college's faculty hiring and student
22 admission processes. In Tilton you had a
23 situation in which non Catholics were
24 admitted as students and they were given
25 faculty appointments. In Hunt, there

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1 were no religious qualifications for
2 faculty membership or student admission.
3 And in Roemer, the evidence was that
4 faculty hiring was not done on a
5 religious basis. And there were students
6 there, although the record was less
7 developed, that also did not adhere to
8 the school's religious background.

9 Now, if we turn to this
10 situation, we have a situation in which
11 faculty are required to be Christians and
12 Christians who adhere to the Statement of
13 Faith and the Mission Statement of the
14 university. And, notably, in their brief
15 they say, Regent does not require its
16 faculty or staff to adhere to the beliefs
17 of a specific denomination or to belong
18 to a specific church. What's missing
19 from this is that they do require faculty
20 and staff to adhere to the beliefs of
21 their unique version of Christianity.

22 The faculty application form,
23 as we discussed through the witnesses,
24 require a statement regarding a faculty
25 applicant's conversion, his or her

1 Christian commitment. And it explicitly
2 says that the university seeks faculty
3 members who subscribe to the Christian
4 witness. And all staff, not just
5 faculty, are required to adhere to the
6 Statement of Faith. That is in Exhibit
7 20, the employment application.

8 Now, moving to students. The
9 Plaintiff focuses on there being no
10 requirement that students be Christian.
11 The issue isn't whether they're required
12 to be Christian. The issue that was set
13 forth in Columbia Union, the Fourth
14 Circuit case we've both referred to, is
15 whether religious preferences shape the
16 admission process.

17 THE COURT: I think you're
18 becoming a little repetitive now, Ms.
19 Khan.

20 MS. KHAN: And here I think
21 there was no dispute as to whether
22 Christianity shapes the admission
23 process.

24 Finally, the fourth factor is,
25 to what degree does the college enjoy

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1 institutional autonomy apart from the
2 church with which it is affiliated. And
3 you've heard testimony that all of the
4 members of the Board of Regent University
5 are appointed by the Christian
6 Broadcasting Network. Mr. Selig referred
7 to that entity as a parachurch. There is
8 an overlap in the governing boards.
9 They've gotten an enormous amount of
10 money from a parachurch, and decisions
11 are made in conjunction, on property, for
12 example, with the advice of CBN's Board.

13 So if we look at all of these
14 factors together, we have a college that
15 makes it imperative for students and
16 faculty to attend church. We have a
17 situation in which religion is required
18 to be integrated into every single
19 course. We have --

20 THE COURT: You're repeating
21 yourself, Ms. Khan.

22 MS. KHAN: I'm summarizing and
23 I will be over in one second.

24 THE COURT: I don't believe
25 that but go ahead.

1 MS. KHAN: I'll try my best.
2 They require faculty to be Christian.
3 They have a preference that is employed
4 in their student admission process, and
5 they have a situation in which CBN is
6 very involved in their governing. So on
7 balance, I think you have a situation
8 that is unlike the situation you had in
9 Hunt, Tilton, and Roemer and much more
10 like the situation you had in Habel.

11 And, finally, I'd like to speak
12 to the Divinity school's use of the
13 bond-funded Alexandria campus. They
14 concede that their intention is to
15 contribute a portion of money to whatever
16 proportion counts for the use by the
17 Divinity school of that campus.

18 There is a decision we have
19 presented to the Court. It's Exhibit 25.
20 It's called Industrial Development
21 Authority v. Tax Payers. And that was a
22 situation in which a multi-purpose
23 building was sought to be built by bonds,
24 and a small portion of that building was
25 to be used for a religious purpose.

1 In that case, the college said
2 that they would pay for the portion that
3 was related to the religious use. The
4 court in that case said this was
5 unconstitutional. They could not use a
6 bond-funded building for partial
7 religious use, and the reason was that
8 there was far too great an opportunity
9 for sectarian misapplication of the bond
10 funding.

11 And the court also relied on
12 Tilton v. Richardson. And that was the
13 case in which the court struck down a
14 clause that called for a bond-funded,
15 government-funded building to revert back
16 to the government to the extent it was
17 used for religious purpose within 20
18 years. The court said, no, you can never
19 use a facility like this for a religious
20 purpose that's been aided by government
21 funds. And they didn't say you could
22 simply return that portion that related
23 to religious worship. They said, you
24 cannot use this building ever in that
25 way. And that would complete my

1 comments.

2 THE COURT: Ms. Khan, thank you
3 very much. I appreciate your argument.

4 Ms. Glenberg or Mr. Ferris, do
5 you all wish to add anything to Ms.
6 Kahn's argument?

7 MR. FERRIS: Not me, Your
8 Honor.

9 THE COURT: Thank you very
10 much.

11 Mr. Broaddus, any response?

12 MR. BROADDUS: Judge, with
13 respect to the Divinity school in the
14 Northern Virginia facility. Section
15 23-30.41 of the Code in defining a
16 project tracks the language, I believe,
17 of the Constitution. It says, shall not
18 use bond proceeds for a facility which is
19 used or to be used primarily in
20 connection with any part of the program
21 of a School or Department of Divinity for
22 any religious denomination.

23 We submit that, that is a clear
24 recognition that our approach is
25 permissible, because we do not anticipate

1 that the facility in Northern Virginia
2 would be used primarily in connection
3 with the School of Divinity. It's one of
4 seven programs. And the fact Regent is
5 proposing to exclude funding for any
6 portion, if you will, from that, is
7 certainly permissible. Indeed, it goes
8 farther than the Code requires.

9 With respect to the factors
10 which the Supreme Court has looked at
11 prior to returning to the neutrality
12 provision. We do submit that the impact
13 on students is the most important,
14 because the whole objective of all of the
15 Supreme Court's efforts has been to
16 determine whether there's a government
17 program that has the effect of advancing
18 religion. And the Court has held, for
19 example, in Hunt, that appointment powers
20 of a church over the Board of Trustees is
21 certainly not determinative.

22 In Columbia Union, the Fourth
23 Circuit Court of Appeals recognized that
24 having 36 of 40 faculty members from the
25 Seventh Day Adventist denomination was

1 not in any way determinative. What is
2 important is whether that vehicle, if you
3 will, the educational process instills in
4 its students an inculcation of religion.

5 Here what are we dealing with,
6 we're dealing with 31-year-old graduate
7 students. You're not dealing with
8 elementary school students at the Roman
9 Catholic school in Michigan who were
10 involved in a program that was
11 Christ-centered but, nevertheless, found
12 to be acceptable. We're dealing with
13 graduate students. And, Judge, I don't
14 think it takes any expert testimony for
15 us to all know that graduate students are
16 pretty independent-minded folks, and they
17 are not going to be the recipient of
18 proselytizing or indoctrination when it
19 is unwanted.

20 If one compares, again, the
21 facts of Habel, we submit that even if
22 that court case controls on the law, the
23 facts here from, Mr. Selig's testimony,
24 are distinguishing. The only thing that
25 is comparable is the one area with

1 respect to faculty employment. And when
2 you have all the other factors different
3 -- no requirement that the students
4 attend chapel, church; no requirement of
5 a student with respect to religious
6 criteria and admissions; academic
7 freedom, which, according to SACS is
8 firmly in place -- it protects the
9 faculty and protects the student body.
10 No evidence to controvert that.

11 All of those factors
12 distinguish this case from Habel and will
13 make this Court, I would submit, to
14 approve these bonds and, indeed, to
15 approve them with the Divinity school in
16 place, because that is authorized under
17 the section that I made reference to.

18 The focus, we submit, at Regent
19 is to utilize principles of Christianity.
20 In one of the many papers in the exhibits
21 before the Court, this is a part of I
22 think Exhibit 7, one of the catalogs,
23 states, we look for students who closely
24 identify with our mission of leadership,
25 Christian leadership, students who

1 believe that society can be transformed
2 through the principles of truth, justice,
3 and love. And we submit that the
4 Constitution does not prohibit the use of
5 teaching that seeks to develop principles
6 of love, justice and truth as part of the
7 educational process.

8 We submit that the independent,
9 broad, neutral-based government program
10 here should be available to religious
11 denominations and sectarian institutions
12 with the same principles that it's
13 available to those that are not
14 affiliated with the church and that under
15 the doctrines of the Supreme Court, that
16 is permissible. The aid is indirect. It
17 is no more of a benefit than giving the
18 tax deduction to the person who puts his
19 offering in the collection plate.

20 For these reasons, Judge, we
21 ask the Court to, again, grant the relief
22 in the Motion for Judgment.

23 THE COURT: Mr. Broaddus, thank
24 you very much, sir. I appreciate your
25 argument.

1 MR. BROADDUS: Thank you.

2 THE COURT: I appreciate all of
3 the arguments that I've heard. I'm going
4 to go ahead and give you my decision now.
5 And you all have, obviously, put a lot of
6 work into this. I have a lot of paper in
7 front of me. And I hope the fact that
8 I'm going to give you a decision from the
9 bench instead of writing an opinion,
10 which is as long or half as long as your
11 brief, does not indicate that the Court
12 does not appreciate your efforts and the
13 fact that this is an important case and
14 the issues are very important.

15 But I have had an opportunity
16 to review all of the exhibits, except the
17 exhibits that were submitted immediately
18 prior to the hearing. But I have looked
19 at those to the extent that they have
20 been pointed out during the testimony.

21 The real question in this case
22 is whether Regent is pervasively
23 sectarian and whether its primary purpose
24 is religious training, and I find that it
25 is with regard to both of those. I find

1 that it is pervasively sectarian and that
2 its primary purpose is religious
3 training.

4 I'm not going to cite all of
5 the documentation to that, all of the
6 passages in the documentation, because it
7 would simply take too long. Ms. Khan has
8 cited many examples in her closing
9 argument, including the requirement that
10 the faculty integrate their faith, which,
11 according to the documents, must be the
12 Christian faith, into their teaching.

13 And the other examples also
14 come from the words of Regent itself.
15 Looking at Exhibit 17, which is the
16 faculty application form. Regent
17 University is a distinctive
18 graduate-based educational institution
19 holding the highest academic standards.
20 That's fine. But then it says, with the
21 ultimate purpose of glorifying God and
22 His Son Jesus Christ.

23 Maybe I'm missing something,
24 but if the question is whether the
25 primary purpose is religious training, if

1 the ultimate purpose is glorifying God
2 and His Son Jesus Christ, I don't know
3 how in the world that is not a primary
4 purpose of religious training or how it
5 is not pervasively sectarian.

6 And I want to make it clear.
7 I'm not criticizing Regent for having
8 that as its purposes. Many would argue
9 that is a very good purpose. And it may
10 be, but that's not the question. The
11 question is whether it's pervasively
12 sectarian and has as its primary purpose
13 and its training where the tax payer
14 money can be used to further those goals.

15 In Exhibit 16, I've already
16 quoted this before, because the purpose
17 of the university is to serve and glorify
18 the Lord Jesus Christ, it is essential
19 that all members of the university
20 community approach Him as a body to seek
21 His guidance. Again, I think that very
22 clearly and unmistakably sets out the
23 purpose of this university. And, again,
24 I want to make it clear, I'm not saying
25 that's a bad purpose, but it is a

1 religious purpose.

2 Exhibit 4. Regent University
3 is a graduate institution that exists to
4 bring glory to God the Father and His Son
5 Jesus Christ. Our mission is to provide
6 an exemplary graduate education from
7 biblical perspectives, to aspiring
8 servant leaders, and to be a leading
9 center of Christian action.

10 And to the extent that these
11 things must also apply to the student
12 body -- and I agree with the defendant's
13 argument that it's not just the
14 statements that are contained in the
15 documents but also a whole atmosphere and
16 attitude a student applying to Regent --
17 reading all of these things and knowing
18 that her or his faculty has to be
19 committed to the Christian belief, what
20 impact that has on those students. But I
21 think it also does apply to the students,
22 the documents themselves.

23 Looking at Exhibit No. 5. It
24 is expected that our students will both
25 understand and be committed to receiving

1 an education in accordance with the
2 following articles. And there are seven
3 articles and they all talk about the
4 Bible, Christian, Father, Son, Holy
5 Spirit, the Lord Jesus Christ.

6 And I understand your argument,
7 Mr. Broaddus, that we're not talking
8 about the students being committed to
9 these things but being committed to an
10 education which includes these things.
11 Again, maybe I'm missing something, but
12 to me it's the same thing. But to the
13 extent that it's not, I interpret this as
14 being committed to these things.

15 For all of those reasons --
16 and, again, there are so many other
17 examples. I've just highlighted the ones
18 that struck me during the testimony and
19 before the testimony as being clear
20 indications. And, again, the reason I'm
21 not taking this under advisement is
22 because it's very clear to me that Regent
23 is pervasively sectarian, that its
24 primary purpose is religious training.
25 Therefore, the Court cannot grant the

1 relief that is sought in the Motion for
2 Judgment and sustains the objections
3 raised by the Defendants.

4 Having done that, the Court
5 will not rule on the Counterclaim,
6 because I haven't had a chance to look at
7 it. I don't want to prolong these
8 proceedings. The Court will dismiss the
9 Counterclaim, because I don't think it
10 prejudices anyone to dismiss it. And I
11 have not had a chance to read it. I know
12 you all want to take this to the next
13 level as quickly as you can.

14 Mr. Ferris, since you're the
15 Virginia Bar member here, would you
16 please prepare the Order in this and
17 submit it to opposing counsel for
18 endorsement.

19 MR. FERRIS: Yes, I will, Your
20 Honor.

21 THE COURT: I thank you all
22 very much. I am going to hold the record
23 open -- I don't have the Order -- because
24 there was one exhibit you wanted to check
25 to see if it was complete.

1 MR. BROADDUS: Yes, sir.

2 THE COURT: If you can file by
3 the end of next week, the record will
4 remain open.

5 MR. BROADDUS: Yes, sir.

6 THE COURT: Thank you all.
7 Court stands adjourned for the day.

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10 (Whereupon the proceedings
11 ended.)

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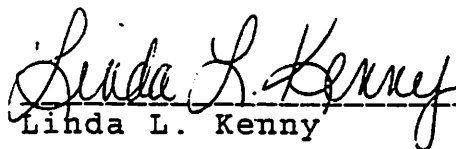
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3 CERTIFICATE OF COURT REPORTER
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8 I, LINDA L. KENNY, hereby certify
9 that I was the Court Reporter in the Circuit Court
10 of the City of Richmond, John Marshall Courts
11 Building, on July 30, 1999, at the time of the
12 hearing herein.

13 I further certify that the
14 foregoing transcript is a true and accurate record
15 of the testimony and other incidents of the hearing
16 herein, to the best of my ability.

17 Given under my hand this 3rd day
18 of August, 1999.

19
20
21 
22 Linda L. Kenny
23
24
25

COPY

1 VIRGINIA:

2 IN THE CIRCUIT COURT OF THE CITY OF RICHMOND

3 JOHN MARSHALL COURTS BUILDING

4

5

VIRGINIA COLLEGE BUILDING
AUTHORITY,

7

Plaintiff,

8

vs

: AT LAW: LF1527-4

9

FRANK FEIBELMAN,

10

and

11

MARY BAUER,

12

and

13

BERNARD H. LEVIN,

14

and any other

15

STATUTORY DEFENDANTS PURSUANT :
TO THE VIRGINIA CODE SECTION :
15.2-2600 ET SEQ., TO WIT, :
TAXPAYERS, PROPERTY OWNERS AND :
CITIZENS OF THE COMMONWEALTH :
OF VIRGINIA, INCLUDING NON- :
RESIDENTS OWNING PROPERTY OR :
SUBJECT TO TAXATION THEREIN, :
ADN ALL OTHER PERSONS :
INTERESTED OR AFFECTED IN ANY :
WAY BY THE ISSUANCE BY THE :
VIRGINIA COLLEGE BUILDING :
AUTHORITY OF REVENUE BONDS NOT :
TO EXCEED \$55,000,000 TO BE :
ISSUED IN ONE OR MORE SERIES :
FROM TIME TO TIME, TO FINANCE :
THE PLAN OF FINANCING OF :
REGENT UNIVERSITY, :

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Defendants.

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Complete transcript of testimony and
other incidents in the above, when heard on
August 23, 1999, before the Honorable Randall
G. Johnson, Judge.

CRANE-SNEAD & ASSOCIATES, INC.
4914 Fitzhugh Avenue, Suite 203
Richmond, Virginia 23230
(804) 355-4335

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APPEARANCES:

JAMES A. SONNE, Esq.
McGuire, Woods, Battle & Boothe
901 East Cary Street
Richmond, Virginia 23219
Counsel for the Plaintiff

REBECCA GLENBERG, Esq.
ACLU of Virginia
6 North 6th Street
Suite 400
Richmond, Virginia 23218
Counsel for ACLU

ALSO PRESENT:

SANDRA JONES McNINCH, Esq.
Mays & Valentine, L.L.P.
1111 East Main Street
Richmond, Virginia 23218
Counsel for Defendants

WILLIAM G. BROADDUS, Esq.
McGuire, Woods, Battle & Boothe
901 East Cary Street
Richmond, Virginia 23219

1 (Whereupon, Court
2 reconvenes at 9:50 a.m.)
3

4 THE COURT: All right. The
5 Virginia College Building Authority versus
6 Statutory Defendants.

7 This is a clarification.
8 Who wants to clarify something?

9 MS. GLENBERG: Well, Your
10 Honor, it's my understanding that Mr. Broaddus
11 arranged for this hearing in order to allow
12 for arguments on which of the two proposed
13 orders should be signed.

14 THE COURT: You all should
15 have gotten the order by now.

16 MS. GLENBERG: Yes, Your
17 Honor. It actually came over the weekend.

18 THE COURT: And you've also
19 received it, Mr. Broaddus?

20 MR. BROADDUS: Not that I'm
21 aware of, Your Honor.

22 THE COURT: I entered the
23 one you submitted.

24 MR. BROADDUS: Thank
25 you, Your Honor. I appreciate the Court's

1 time.

2 MS. GLENBERG: Your Honor,
3 as long as we're here--

4 THE COURT: As long as
5 we're here--

6 MS. GLENBERG: --I was
7 wondering if you'd hear any arguments for why
8 the other order--

9 THE COURT: Have a seat,
10 gentlemen.

11 Yes, ma'am.

12 MS. GLENBERG: It's a
13 pretty simple argument, Your Honor, it
14 shouldn't take very long. And the argument is
15 that--

16 THE COURT: You still want
17 to make an argument? I thought you won.

18 MS. GLENBERG: Well, we won
19 the case.

20 THE COURT: And you still
21 want to argue about something.

22 MS. GLENBERG: Well, Your
23 Honor, Ms. Conn did prepare a very thorough
24 order, which she did submit to the Court. And
25 there is some interesting reasons why the

1 Court should sign that order, rather than the
2 order that was submitted by the plaintiff.

3 THE COURT: Reasons that I
4 haven't already considered? You think I
5 considered them wrong?

6 MS. GLENBERG: I don't know
7 what the Court has or hasn't considered.

8 THE COURT: Well, I mean, I
9 have your order, which is 17 pages long. Most
10 of my opinions aren't that long. And you want
11 me to enter a 17 page order? Go ahead.

12 MS. GLENBERG: The reason
13 for the extensive findings of fact in that
14 order--and most of the pages are, in fact,
15 findings of fact quotations and citations for
16 the record--is that Federal Court has held
17 that it's a responsibility of a Trial Court--

18 THE COURT: A Federal Trial
19 Court. I have the utmost respect for the
20 Fourth Circuit, but I'm not bound by them.

21 MS. GLENBERG: That's
22 absolutely correct, Your Honor. I understand
23 that.

24 THE COURT: Federal judges
25 have life tenure, in exchange for that they

1 have to write findings of fact and conclusions
2 of law. It's a pretty good trade off, but I
3 don't have to do that. Go ahead. I keep
4 interrupting you. Go ahead. Make your
5 argument.

6 MS. GLENBERG: As well as
7 the U.S. Supreme Court has also reversed and
8 remanded decisions, because they were not
9 extensive enough in findings of fact. For
10 example, Bowen versus Kendrick (Phonetic.)
11 And--well, Bowen versus Kendrick is the main
12 one, in which a case was remanded. And the
13 Roaner (Phonetic.) case also emphasizes that
14 the question of whether--

15 THE COURT: But those
16 cases--don't those case turn on credibility of
17 findings? Appellant Courts have a hard time
18 judging credibility of witnesses, and so
19 Appellant Courts tell Trial Courts, we need to
20 know what you thought of the witnesses so we
21 can decide whether you made the right
22 decision.

23 Does it help you-- I
24 didn't disbelieve any witness who was on the
25 stand. I just had a different interpretation

1 of the facts than those witnesses had of the
2 facts. I mean, to the extent that it helps
3 you at all, my decision was not based on any
4 credibility findings with regard to witnesses.
5 It was based solely on the record. And the
6 Appellant Courts will have exactly the same
7 record that have. I really don't see why I
8 have to make findings of fact and conclusions
9 of law.

10 MS. GLENBERG: I understand
11 that, Your Honor. I would respectfully disagree
12 that the cases that I cited, as well as
13 Columbia Union were hinged on credibility
14 findings.

15 THE COURT: Well, if they
16 don't, then why does the Supreme Court of
17 Virginia or the Supreme Court of the United
18 States need to know how I interpreted the law?
19 What difference does it make to them how I
20 interpreted the law? They have never been
21 persuaded by how I interpreted the law before.

22 MS. GLENBERG: I'm sorry to
23 hear that, Your Honor. But I think the
24 Supreme Court would like to know what were the
25 specific factual elements on the record on

1 which you based your finding.

2 THE COURT: Why? I'm not
3 trying to be funny. I really want to know
4 why.

5 MS. GLENBERG: Well--

6 THE COURT: The Supreme
7 Court is going to look at exactly the same
8 facts that I looked at. The Supreme Court is
9 then going to apply the law--whichever Supreme
10 Court you're talking about--as that Supreme
11 Court thinks the law should be applied.

12 Again, I'm not trying to be
13 funny. They're not bound by how I think the
14 law should be applied. They're going to do
15 exactly what they want to do. As they should,
16 that's why they're Supreme. I really don't
17 see why I need to tell them more than I have
18 done. I thought I did it from the bench. But
19 why do I need to tell them anymore?

20 MS. GLENBERG: Well, Your
21 Honor, you did make many findings from the
22 bench. Although, at the time you, yourself,
23 noted that ruling from the bench, the elements
24 on the record that supported your ruling
25 were far too numerous. You stated several

1 times, far too numerous to state from the
2 bench. And that you were reciting those facts
3 that most stood out to you.

4 And we just respectfully
5 suggest that the Supreme Court in looking to
6 uphold this opinion, would need to know the
7 full range of facts on which the decision was
8 based. And that's the arguments for entering
9 the lengthier order.

10 THE COURT: Thank you very
11 much, Ms. Glenberg. I appreciate your
12 argument.

13 Do you wish to be heard,
14 Mr. Broaddus?

15 MR. BROADDUS: Only if the
16 Court wishes to go back to square one.

17 THE COURT: I assume you
18 want me to stick with the order I've already
19 signed?

20 MR. BROADDUS: Yes, sir.

21 THE COURT: That's a good
22 argument. I'm going to do that. I really
23 don't see a need for me--even if I agreed that
24 in this particular kind of case the Appellant
25 Court needs to know the factual basis for

1 the Trial Court's decision, again, it did not
2 hinge on the credibility of any of the
3 witnesses.

4 I think the witnesses were
5 telling the truth as they thought the truth
6 existed. It's just that they looked at
7 certain facts and said these facts do not
8 indicate pervasive religious teachings. And I
9 look at those same facts and say they did.

10 It seems to me that the
11 Supreme Court of Virginia or the Supreme Court
12 of the United States can look at those same
13 facts and say that either they do or they
14 don't. But they don't need to know how I
15 interpreted the witnesses or testimony.

16 I'm going to deny your
17 motion to reconsider. The one that I've
18 already entered is the one that will be of
19 record. Thank you all very much.


20
21 (Whereupon, the proceedings
22 in this matter were adjourned for the day at
23 9:58 a.m.)
24
25

1
2 CERTIFICATE OF COURT REPORTER
3

4 I, Stephanie B. Valentino, hereby certify
5 that I, having been duly sworn, was the Court
6 Reporter in the Circuit Court of the City of
7 Richmond, Virginia, on August 23, 1999, at the
8 time of the hearing herein.

9 I further certify that the foregoing
10 transcript is a true and accurate record of the
11 testimony and other incidents of the hearing
12 herein as set down to the best of my ability.

13 Given under my hand this 23rd day of
14 August, 1999.

15
16 
17 _____
Stephanie B. Valentino
18 Court Reporter
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Virginia College Building Authority

June 22, 1999

Meeting Package

**COMMONWEALTH
OF
VIRGINIA**



VIRGINIA COLLEGE BUILDING AUTHORITY BOARD MEETING

June 22, 1999, 2:00 p.m.
State Council of Higher Education Conference Room, Ninth Floor
James Monroe Building
101 North 14th Street, Richmond, Virginia

AGENDA

Call to Order

1. Approval of Minutes of April 19, 1999 Meeting **TAB A**
2. Post Sale Report - VCBA Educational Facilities
Revenue Bonds (21st Century College Program), Series 1999 **TAB B**
3. Consideration of Financing Application of Regent University **TAB C**
4. Other Business
Resolution for Susan F. Dewey **TAB D**
5. Adjournment



COMMONWEALTH of VIRGINIA

Department of the Treasury

MARY G. MORRIS
TREASURER OF VIRGINIA

P.O. BOX 1879
RICHMOND, VIRGINIA 23218-1879
(804) 225-2142

June 15, 1999

MEMORANDUM

TO: Virginia College Building Authority Board Members

FROM: Mary G. Morris, on behalf of Stephen Hartwell
Chairman, Virginia College Building Authority

SUBJECT: June 22, 1999 Meeting

Attached is your board package for the Tuesday, June 22, 1999 meeting of the Virginia College Building Authority. Unfortunately, renovations to the Treasury Board Conference Room have yet to be completed. The meeting will therefore be held in the State Council of Higher Education Conference Room on the **9th Floor of the James Monroe Building at 2:00 p.m.** The primary purpose of the meeting is to consider a resolution approving a validation hearing on behalf of Regent University. Regent has applied to the Authority for financing through the Authority's private school financing program.

Also attached is a copy of a letter to Stephen Hartwell from Barry W. Lynn, Executive Director of Americans United for Separation of Church and State. Mr. Hartwell wanted to share with you the concerns expressed by Americans United with respect to the Regent University application. If you have any questions about the meeting or find that you are unable to attend (after previously indicating that you would be in attendance), please contact Evelyn Whitley at (804) 371-6006.

MGM:erw
Attachments

c: VCBA Distribution List
Arthur N. Bowen, III, Deputy State Treasurer
Gary Ometer, Director of Debt Management
Evelyn R. Whitley, Debt Manager
Michael D. Thompson, Debt Analyst



May 20, 1999

Mr. Stephen Hartwell, Chairman
Virginia College Building Authority
Department of the Treasury
P.O. Box 1879
Richmond VA 23218-1879

Dear Mr. Hartwell:

1816 Jefferson Place, N.W.

Washington, D.C. 20036

(202) 466-3234

(202) 466-2587 fax

americansunited@au.org

www.au.org

I'm writing today to express my grave concern about Regent University's application for \$54.5 million in state-issued bonds to finance projects at its Virginia Beach and proposed Alexandria campuses. Public support for this sectarian university would violate the separation of church and state, and I urge the Authority to reject the application.

As I'm sure you know, the Rev. Jerry Falwell's Liberty University applied for \$60 million in tax-free bonds through the Lynchburg Industrial Development Authority in 1989. After the IDA voted to approve the bonds, Americans United sponsored litigation to block the funding, citing the church-state provisions of the U.S. and Virginia constitutions. On Jan. 11, 1991, the Virginia Supreme Court unanimously agreed with Americans United's position and ruled that Liberty is ineligible for IDA funding (*Habel v. Industrial Development Authority*). I believe this decision is controlling in the current Regent University situation.

Interestingly, Regent University had applied for IDA bonds as the Liberty case was unfolding. When the decision was handed down, Regent officials withdrew the request.

It is clear that Regent is a "pervasively sectarian" institution. The preamble to the university's mission statement reads, "Regent University is a graduate institution that exists to bring glory to God the Father and His Son Jesus Christ through the work of the Holy Spirit." The Mission Statement itself reads, "Our mission is to provide an exemplary graduate education from biblical perspectives to aspiring servant leaders in pivotal professions and to be a leading center of Christian thought and action."

Regent's Vision Statement reads, "Our vision, through our graduates and other scholarly activities, is to provide Christian leadership in transforming society by affirming and teaching principles of truth, justice and love as described in the Holy Scriptures, embodied in the person of Jesus Christ, and enabled through the power of the Holy Spirit."

Mr. Stephen Hartwell, Chairman
Virginia College Building Authority
Department of the Treasury
May 20, 1999
Page 2

The university's website (www.regent.edu) notes that the school admits "students of any race, color, sex, disability, and national or ethnic origin." Religion is noticeably absent from this list.

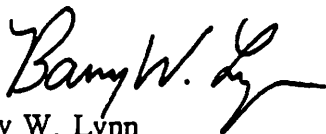
The website also states, "The Regent faculty is key to the Christ-centered nature of our education. Courses are taught from a Judeo-Christian perspective, integrating faith and learning where it is most critical."

I urge the Authority to thoroughly examine Regent's publications and its policies. I believe any honest evaluation of this material will prove conclusively that the university does not qualify for state-issued bonds or other forms of state assistance.

Please be assured that Americans United regards this matter as a concern of the highest importance. If the Authority issues bonds for the benefit of Regent University, legal action is certain.

Thank you for your attention to this matter.

Sincerely,



Barry W. Lynn
Executive Director

cc:

Governor James S. Gilmore, III
Attorney General Mark L. Earley
Chancellor Marion G. "Pat" Robertson
Donald R. Ferguson
Arthur N. Bowen

**Preliminary Financing Summary
Regent University**

Title:	TO BE DETERMINED ("TBD")
Issuer:	Virginia College Building Authority
Amount:	Up to \$55,000,000
Constitutional Reference:	N/A
Legislative Reference:	Title 23, Chapters 3.2 and 3.3
Purpose:	<p>Financing of the following Plan of Financing for Regent University:</p> <p>(a) (i) refunding of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds (CBN University Facility), Series A and B, of which \$2,552,261 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Jake Sears Circle, Virginia Beach, Virginia 23464 (the "1984 Project") and (ii) refinancing of a taxable loan, of which \$2,957,152 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project;</p> <p>(b) financing costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1650 Diagonal Road, Alexandria, Virginia 22314, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space; for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia 23464, consisting of approximately 125,000 square feet which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main</p>

campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and

(c) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing.

Method of Sale:	NEGOTIATED
Sale Date:	TBD
Dated Date:	TBD
Delivery Date:	TBD
Bond Structure:	TBD
Principal Payment Date:	TBD
Interest Payment Dates:	TBD
Registration Provisions:	BOOK-ENTRY
Redemption Provisions:	TBD
Denominations:	5,000
Est. True Interest costs:	TBD
Anticipated Bond Ratings:	TBD
Financial Advisor:	TBD
Underwriter:	TBD
Bond Counsel:	McGuire, Woods, Battle & Boothe LLP
Trustee:	TBD

**VIRGINIA COLLEGE
BUILDING AUTHORITY**

**APPLICATION FOR
FINANCING**



VIRGINIA COLLEGE BUILDING AUTHORITY

APPLICATION FOR FINANCING

FOR

REGENT UNIVERSITY

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Part I

VIRGINIA COLLEGE BUILDING
AUTHORITY

APPLICATION FOR FINANCING

of

Four Capital Projects

for

Regent University

March 25, 1999

VIRGINIA COLLEGE BUILDING AUTHORITY

PART I

A. GENERAL INFORMATION

1. Name of Institution:
Regent University
2. Address - U.S. Mail:
1000 Regent University Drive
Virginia Beach, VA 23464
3. Address - Federal Express Delivery:
Same as above
4. Contact Person at the institution:

Name	<u>Steve Gulvas</u>
Title	<u>Exec. Dir. for Operations & Finance</u>
Phone	<u>(757) 226-4141</u>
Fax	<u>(757) 226-4317</u>

Alternate contact person at the institution:

Name	<u>Dean Wooten</u>
Title	<u>Controller</u>
Phone	<u>(757) 226-4062</u>
Fax	<u>(757) 226-4342</u>

VIRGINIA COLLEGE BUILDING AUTHORITY

5. Projects included in financing and amounts:

<u>PROJECT</u>	<u>AMOUNT</u>
1. Refinance Regent Village	\$ 5.5 million
2. Alexandria, VA Campus	\$ 8 million
3. College of Communications and the Arts - Virginia Beach Campus	\$ 26 million
4. Event Center - Virginia Beach Campus	\$ 15 million
Total	\$ 54.5 million

B) Project Information Regent University

	Regent Village Refinancing	Alexandria Campus	Comm & Arts Complex	Events Center
1) Description of Project:				
Location.....	Jake Sears Circle Virginia Beach, VA	1650 Diagonal Road Alexandria, VA	Regent University Drive Virginia Beach, VA	Regent University Drive Virginia Beach, VA
Use.....	Student housing / Administrative offices	See Appendix B	See Appendix C	See Appendix D
Expected Life.....	45 years	45 years	45 years	45 years
Anticipated revenues.....	Apartment rent	Student tuition	Student tuition	Sale of tickets for events
2) Contractual relationships which may affect the use of the project	NONE	NONE	NONE	NONE
3) Reasons for the project How it will be integrated into institution's existing programs. Give estimates of the use of the project.	Provides housing for students.	Institution's strategic plan calls for growth with satellite campus in Northern Virginia. See attached Business Case for Alexandria Campus.	Allow for expansion of campus to meet projected student enrollment growth per the 5 year strategic plan. Provide state of the art teaching facility for School of Communication & the Arts.	Provide space for student events, commencement, fine arts performances, etc.
4) Current status of construction plans. Anticipated construction schedule through the date of occupancy.	N/A	Ground breaking in Fall 1999. Occupancy planned for Sept. 2000.	Currently working to 35% design phase. Commence construction in Spring 2000. Occupancy planned for Summer 2001.	Currently in conceptual design phase. Commence construction in Fall 2001. Occupancy planned for Fall 2002.

B) Project Information
Regent University

	Regent Village Refinancing	Alexandria Campus	Comm & Arts Complex	Events Center
5) Financing calendar or timetable.	5,500,000 immediate financing	1,000,000 - April 1999 1,300,000 - October 1999 <u>1,000,000 - Summer 2000</u> 4,700,000 - September 2000	500,000 - June 1999 25,500,000 - To Be Determined	To Be Determined
6) Bond Series, maturities, amounts refunded....	City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds Series A & B, \$2,500,000 Maturity in 2006.	NONE	NONE	NONE
7) Architect		Developer:		
Name	N/A	CarrAmerica Development, Inc	John Zona	John Zona
Address		1850 K Street NW	306 B Centre Street	306 B Centre Street
Phone		Washington, DC 20006 (202) 729-3848	Fernandina Beach, FL 32034	Fernandina Beach, FL 32034
8) Contractor				
Name	N/A	Developer will build to suit.	To Be Determined	To Be Determined
Address				
Phone				

Buisness Case - Alexandria Campus

1997-98 Budget Worksheet		Only \$250,000 oper. costs					
Cost Center Number : TOTAL BUDGET							
Cost Center Name: Washington Site							
Updated 9/11/98		FY99	FY00	FY01	FY02	FY03	FY04
	Head Count	200	200	250	250	250	250
	Tuition Rate						
	Credit Hours	3,000	4,500	6,750	9,000	9,000	
Revenue							
40110	Tuition - Classes	-	975,000	1,521,000	2,372,760	3,290,227	3,421,836
40210	Fees- Application	-	3,000	3,000	7,000	9,000	9,000
40230	Fees- Academic Services	-	-	-	-	-	-
40310	Tuition Discount	-	(146,250)	(228,150)	(355,914)	(493,534)	(513,275)
	Rental Income	-	-	120,000	120,000	-	-
44110	Gifts- Individuals/ Cash	-	-	-	-	-	-
TOTAL REVENUE		0	833,750	1,417,850	2,143,846	2,805,693	2,917,561
EXPENDITURES							
SALARIES & WAGES:							
51100	Salaries- Admin & Mgmt	-	70,000	106,470	166,093	230,316	239,529
51200	Salaries- Academic	-	234,000	365,040	569,462	789,655	821,241
51300	Salaries- Adjunct Contract	-	65,325	101,907	158,975	220,445	229,263
51400	Wages- Clerical & Support	-	45,825	71,487	111,520	154,641	160,826
59090	Staff Benefits- Other	-	92,453	138,024	207,036	276,048	276,048
TOTAL SALARIES & WAGES		0	507,603	782,928	1,213,086	1,671,104	1,726,907
[Note: Benefits = Admin/Acad/Cler * 25% PLUS Adj/Temp * 7.65%							
OPERATING:							
60300	Advertising	-	150,000	150,000	150,000	150,000	150,000
63100	Duplicating Costs	-	17,000	17,000	17,000	20,000	20,000
63330	Interactive Media Project	-	13,000	13,000	13,000	13,000	13,000
63500	Contracted Services	-	20,000	20,000	20,000	20,000	20,000
63510	Cont Svcs- Legal & Audit	-	-	-	-	-	-
63555	Cont Svcs - Security	-	30,000	30,000	30,000	30,000	30,000
63570	Cont Svcs- Honorariums	-	5,000	5,000	5,000	5,000	5,000
63700	Binding Costs	-	1,000	1,000	3,000	3,000	3,000
63900	Conferences & Seminars	-	7,800	12,168	18,982	26,322	27,375
65400	Memberships	-	1,268	1,977	3,085	4,277	4,448
66200	Postage/ Freight	-	3,900	6,084	9,491	13,161	13,687
66500	Printing	-	10,000	15,514	24,202	33,560	34,903
68200	Small Equip. & Furnishings	-	-	-	-	-	-
68400	Subscriptions & Periodicals	-	780	1,217	1,898	2,632	2,737
68510	Supplies-Academic	-	2,700	2,700	2,900	2,900	2,900
68530	Supplies - Office & Misc.	-	9,750	15,210	23,728	32,902	34,218
68560	Supplies - Comp Hardware	-	200	1,200	1,200	1,200	1,200
68570	Supplies - Compo Software	-	400	400	1,200	1,200	1,200
68700	Utilities	-	22,000	22,000	22,000	22,000	22,000
68800	Telephone - Long Distance	-	30,000	30,000	30,000	30,000	30,000
68810	Telephone - Equipment	-	5,000	5,000	5,000	5,000	5,000
68900	Travel/Lodging/Meals	-	35,250	51,630	77,183	104,707	108,655
69900	Other Expense	50,000	25,000	25,000	25,000	25,000	25,000
TOTAL OPERATING EXPENDITURES		50,000	410,048	446,100	503,868	565,862	574,324
CAPITAL EXPENDITURES:							
77400	Furniture & Equipment	-	-	-	-	-	-
	Other Buildout	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURES		-	-	-	-	-	-
TOTAL EXPENDITURES		50,000	917,651	1,229,028	1,716,955	2,236,966	2,301,231
REVENUE/EXPENSE (OVER)/UNDER		(50,000)	(83,901)	188,822	426,891	568,727	616,330
Cumulative Surplus / Deficit		(50,000)	(133,901)	54,921	481,812	1,050,540	1,666,870
Debt Service - Building		0	0	0	0	0	0
Debt Service - Fixtures		0	15,000	67,000	67,000	67,000	67,000
Annual Building Operating Expense		0	0	250,000	250,000	250,000	250,000
Cum. Surplus / Deficit w/debt serv.		(50,000)	(148,901)	(277,079)	(167,188)	84,540	383,870
Planning Assumptions							
People	Number of Administrative	-	1.00	1.52	2.37	3.29	3.42
	Number of Clerical		2.08	3.25	5.07	7.03	7.31
	Number of FTE Faculty		4.68	7.30	11.39	15.79	16.42
	Number of Adjunct Courses		21.78	33.97	52.99	73.48	76.42
Credit Hrs		50/50 split of credit hours					
Teaching Ratio		16:1 FTE student to FT Faculty ratio					

C) Project Financing Regent University

	Regent Village Refinancing	Alexandria Campus	Comm & Arts Complex	Events Center
1) Cost Components:				
Design	-	500,000	1,000,000	750,000
Construction	-	6,500,000	18,000,000	13,250,000
Furnishings / Equipment	-	1,000,000	7,000,000	1,000,000
Outstanding debt	5,509,414	-	-	-
TOTALS	5,509,414	8,000,000	26,000,000	15,000,000
2) Financing Costs:				
Cost of Issuance	25,000	25,000	25,000	25,000
Bond Counsel	To be determined.....			
Financial Advisor	To be determined.....			
TOTALS	25,000	25,000	25,000	25,000
Total Financing validated by VCBA	\$ 5,534,414	\$ 8,025,000	\$ 26,025,000	\$ 15,025,000
3) Proposed Plan of Financing:				
(a) Term of borrowing:	7 years	30 years	30 years	30 years
(b) Structure of debt:	Fixed	Fixed	Fixed	Fixed
(c) Security Features:	General credit and basic covenants.....			
(d) Method of Sale:	Public	Public	Public	Public
(e) Tax status of the debt:	Tax exempt	Tax exempt	Tax exempt	Tax exempt
4) Source of Revenue..... for repayment of debt	Housing revenues	General revenues of the University	General revenues of the University	General revenue of the University
5) Preliminary Financing Summary:	To Be Determined.....			
6) Bond Counsel:				
Firm:	McGuire, Woods, Battle & Boothe			
Attorney:	Lloyd Richardson			
Address:	1 James Center 901 E. Cary St., Richmond, VA 23219-4030			
Phone:	(804) 775-1000			
FAX:				

C) Project Financing Regent University

Regent Village
Refinancing

Alexandria
Campus

Comm & Arts
Complex

Evk
Cent

7) Investment Banker:

Firm:

To Be Determined.....

Banker:

Address:

Phone:

FAX:

8) Financial Advisor:

Firm:

Crestar Securities Corporation

Advisor:

Suzanne P. Yount

Address:

919 E. Main St., Richmond, VA 23219-4625

Phone:

(804) 782-7169

FAX:

(804)782-7719

9) Underwriters Counsel:

Firm:

To Be Determined.....

Attorney:

Address:

Phone:

FAX:

Oustanding Debt Regent University

	<u>ISSUE 1:</u>	<u>ISSUE 2:</u>
Name:	Industrial Revenue Bonds	First Virginia Bank Mortgage
Year issued:	1984	1993
Amount Issued:	\$ 4,000,000	\$ 4,352,700
Purpose:	Student Housing-Phase 1	Student Housing - Phase 2
Security:	Phase 1 Housing Complex	Phase 2 Housing Complex
Issuer:	Dominion Bank	First Virginia Bank

<u>Fiscal Year</u>	<u>ISSUE 1</u>		<u>ISSUE 2</u>		<u>TOTAL</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
1999	202,457	252,833	287,629	218,815	961,734
2000	223,103	232,187	309,189	197,254	961,733
2001	245,855	209,435	332,366	174,078	961,734
2002	270,926	184,364	357,279	149,165	961,734
2003	298,554	156,735	384,060	122,383	961,732
2004	329,000	126,289	412,849	93,595	961,733
2005	362,551	92,739	443,795	62,649	961,734
2006	399,523	55,767	477,061	29,382	961,733
2007	352,352	7,731	144,013	1,860	505,956

* Amounts per Amortization schedules as of June 30, 1998.

Financial Ratios Regent University

<u>Fiscal Year</u>	<u>Liquidity</u>	<u>Historical Debt Svc Burden</u>	<u>Future Debt Svc Burden</u>	<u>Debt vs. Endowment</u>	<u>Endowment per Student</u>	<u>Endown Liqr</u>
1995/1996	5.15	13%	0%	23%	68.00	-
1996/1997	8.01	12%	0%	21%	59.92	-
Last Year						
1997/1998	8.44	19%	19%	17%	59.50	

<u>Fiscal Year</u>	<u>Financial Aid</u>	<u>Tuition Dependence</u>	<u>Gift Income</u>	<u>Unrestricted Fund Liquidity</u>	<u>Unrestricted Fund Annual Operations</u>	<u>Unrest Fund Cumula Port</u>
1995/1996	27%	21%	75%	36.51	130%	51
1996/1997	24%	12%	86%	72.57	334%	8
Last Year						
1997/1998	21%	29%	68%	68.25	82%	8

Financial Ratios

Regent University

Supporting Information:

Liquidity	1995/1996	1996/1997	1997/1998
Unr Curr Fund Balance /	116,975	200,626	222,186
Unr Curr Fund Expenses	22,716	25,053	26,324
Ratio	5.15	8.01	8.44
Hist Debt Svc Burden			
Debt Service / (Inc mortg princ/int, LOC int)	3,030	2,946	5,090
Unr Curr Fund Expenses	22,716	25,053	26,324
Percentage	13%	12%	19%
Future Debt Svc Burden			
Future Annual Debt Service / (Inc mortg princ/int, LOC int)			5,007
Last year's Unr Curr Fund Expenses			26,324
Percentage			19%
Debt vs. Endowment			
Long Term Debt /	22,440	20,623	17,394
Total Endowment	98,736	99,767	101,212
Percentage	23%	21%	17%
Endowment per Student			
Total Endowment /	98,736	99,767	101,212
Full-time Equivalent Students	1,452	1,665	1,701
Ratio	68.00	59.92	59.50
Endowment Liquidity			
Quasi-Endowment /			
Total Endowment			
Ratio			
Financial Aid			
Institution Financial Aid /	2,983	3,159	2,935
Tuition Revenues	10,939	13,088	14,029
Percentage	27%	24%	21%

Financial Ratios Regent University

Supporting Information:

Tuition Dependence			
Tuition Revenues /	10,939	13,088	14,029
Total Educ & Gen Revenues	52,166	108,704	47,884
Percentage	21%	12%	29%
Gift Income			
Private Gifts + Endow Income /	39,195	93,783	32,616
Total Educ & Gen Revenues	52,166	108,704	47,884
Percentage	75%	86%	68%
Unrestrict Fund Liquidity			
Cash + Investments /	79,999	183,747	199,087
Accounts Payable	2,191	2,532	2,917
Ratio	36.51	72.57	68.25
Unrestrict Fund Ann Oper			
Surplus (Deficit) /	29,450	83,651	21,560
Unr Curr Fund Expenses	22,716	25,053	26,324
Percentage	130%	334%	82%
Unrestrict Fund Cum Pos			
Unrestrict Curr Fund Balance /	116,975	200,626	222,186
Unr Curr Fund Expenses	22,716	25,053	26,324
Percentage	515%	801%	844%

Future Debt Burden Regent University

Housing Mortgage 5,500,000

Interest : 5.5% Over 7 years

Monthly Payment = \$ 79,034

Annual Payment = \$ 948,410

Alexandria Campus 8,000,000

Comm & Arts Complex 26,000,000

Events Center 15,000,000

Total Future Debt 49,000,000

Interest : 5.5% Over 30 years

Monthly Payment = \$ 278,204

Annual Payment = \$ 3,338,452

Total Annual Payments	\$ 4,286,862
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Preliminary Financing Summary Regent University

Title: TO BE DETERMINED

Issuer:

Amount:

Constitutional Reference:

Legislative Reference:

Purpose:

Method of Sale:

Sale Date:

Dated Date:

Delivery Date:

Bond Structure:

Principal Payment Dates:

Interest Payment Dates:

Registration Provisions:

Redemption Provisions:

Denominations:

Est. True Interest Cost:

Anticipated Bond Ratings:

Financial Advisor:

Underwriter:

Bond Counsel:

Trustee:

Five Year Capital Plan Regent University

During this past year, the President has focused new priorities for the Master Planning Committee. To date, the full capital plan consists of the projects included in this application as well as the evaluation of improvements to the Law Library and Main Library. While additional projects are being considered, there are no approved projects beyond those addressed in this application.



The Global Leader

REGENT UNIVERSITY

Financial Statements and Supplementary Schedule

June 30, 1998 and 1997

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick LLP

2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Board of Trustees
Regent University:

We have audited the accompanying statements of financial position of Regent University (the University) as of June 30, 1998 and 1997, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regent University at June 30, 1998 and 1997, and its changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick LLP

August 21, 1998

REGENT UNIVERSITY

Statements of Financial Position

June 30, 1998 and 1997

(dollars in thousands)

	1998	1997
Assets:		
Current assets:		
Cash and cash equivalents (note 3 and 7)	\$ 1,068	311
Accounts and loans receivable, net of allowance for doubtful accounts of \$116 and \$89 in 1998 and 1997, respectively	244	206
Current portion of contributions receivable (note 4)	279	384
Accrued investment income	1,040	573
Inventories	194	240
Prepaid expenses and other assets	303	223
Total current assets	3,128	1,937
Contributions receivable, net (note 4)	167	267
Investments (notes 5, 9 and 11)	304,103	287,816
Property, plant and equipment, net (notes 6, 7 and 8)	42,362	40,632
Total assets	\$ 349,760	330,652
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued expenses	3,024	2,628
Current portion of mortgages payable (notes 2 and 7)	490	1,318
Current portion of capital lease obligations (note 8)	210	504
Total current liabilities	3,724	4,450
Mortgages payable (notes 2 and 7)	5,342	8,370
Capital lease obligations (note 8)	—	201
Line of credit facility (note 9)	12,052	12,052
Total liabilities	21,118	25,073
Net assets:		
Unrestricted	222,186	200,626
Temporarily restricted (note 12)	5,244	5,186
Permanently restricted (note 13)	101,212	99,767
Total net assets	328,642	305,579
Commitments and contingencies (notes 8 and 15)		
Total liabilities and net assets	\$ 349,760	330,652

See accompanying notes to financial statements.

REGENT UNIVERSITY

Statements of Activities

Years ended June 30, 1998 and 1997

(dollars in thousands)

	1998				1997			
	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Revenues:								
Tuition and fees:								
Gross tuition and fees	\$ 14,029	—	—	14,029	13,088	—	—	13,088
Institutional scholarships	(2,935)	—	—	(2,935)	(3,159)	—	—	(3,159)
Tuition and fees, net	11,094	—	—	11,094	9,929	—	—	9,929
Private gifts	534	661	1,292	2,487	630	390	990	2,010
Investment income, net (note 5)	7,460	283	9	7,752	3,004	176	3	3,183
Realized gains on investments, net	17,320	570	24	17,914	10,171	398	9	10,578
Unrealized gains (losses) on investments, net	7,302	(39)	98	7,361	79,978	1,331	28	81,337
Auxiliary services	2,278	—	—	2,278	2,270	—	—	2,270
Contributions from Christian Broadcasting Network	—	80	—	80	—	1,515	—	1,515
Other sources	338	61	22	421	473	19	1	493
Net assets released from restrictions (note 14)	1,558	(1,558)	—	—	2,249	(2,249)	—	—
Total revenues	47,884	58	1,445	49,387	108,704	1,580	1,031	111,315
Expenses:								
Program services:								
Instruction	13,785	—	—	13,785	12,533	—	—	12,533
Student services	857	—	—	857	774	—	—	774
Auxiliary services	1,723	—	—	1,723	1,632	—	—	1,632
Total program services	16,365	—	—	16,365	14,939	—	—	14,939
Supporting services:								
Academic support	3,705	—	—	3,705	3,959	—	—	3,959
Fundraising	356	—	—	356	417	—	—	417
Institutional support	5,898	—	—	5,898	5,738	—	—	5,738
Total supporting services	9,959	—	—	9,959	10,114	—	—	10,114
Total expenses	26,324	—	—	26,324	25,053	—	—	25,053
Changes in net assets	21,560	58	1,445	23,063	83,651	1,580	1,031	86,262
Net assets at beginning of year	200,626	5,186	99,767	305,579	116,975	3,606	98,736	219,317
Net assets at end of year	\$ 222,186	5,244	101,212	328,642	200,626	5,186	99,767	305,579

See accompanying notes to financial statements.

REGENT UNIVERSITY

Statements of Cash Flows

Years ended June 30, 1998 and 1997

(dollars in thousands)

	1998	1997
Cash flows from operating activities:		
Changes in net assets	\$ 23,063	86,262
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	2,610	2,459
Allowance for doubtful accounts	27	29
Contributions of investments	(159)	(118)
Realized gain on sales of investments, net	(17,914)	(10,578)
Unrealized gain on investments, net	(7,361)	(81,337)
Permanently restricted contributions and investment income	(1,323)	(994)
Payments on gift annuities	13	13
Gift for payment of mortgages payable	-	(1,262)
Changes in assets and liabilities:		
Accounts and loans receivable	(65)	12
Contributions receivable	205	(651)
Accrued investment income	(467)	81
Inventories	46	39
Prepaid expenses and other assets	(80)	55
Accounts payable and accrued expenses	396	345
Total adjustments	(24,072)	(91,907)
Net cash used in operating activities	(1,009)	(5,645)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,323)	(925)
Purchases of investments	(532,910)	(143,540)
Proceeds from sales of investments	542,040	149,183
Net cash provided by investing activities	4,807	4,718
Cash flows from financing activities:		
Payments on mortgages payable	(3,856)	(1,281)
Gift for payment of mortgages payable	-	1,262
Payments on capital lease obligations	(495)	(508)
Payments on gift annuities	(13)	(13)
Permanently restricted contributions and investment income	1,323	994
Net cash provided by (used in) financing activities	(3,041)	454
Net increase (decrease) in cash and cash equivalents	757	(473)
Cash and cash equivalents at beginning of year	311	784
Cash and cash equivalents at end of year	\$ 1,068	311
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,264	1,694
Contributions of investments	\$ 159	118

See accompanying notes to financial statements.

REGENT UNIVERSITY

Notes to Financial Statements

June 30, 1998 and 1997

(1) Nature of Operations and Significant Accounting Policies

Regent University (the University) is a nonstock, nonprofit graduate educational institution established in 1977. The University is accredited by the Southern Association of Colleges and Schools. The University presently includes the College of Communication and the Arts, School of Business, School of Counseling and Human Services, School of Divinity, School of Education, School of Government, School of Law and the Center for Leadership Studies.

The affairs of the University are governed by a Board of Trustees. The election of individual trustees and the selection of the University's Chairman of the Board is made by a majority vote of the Directors of Christian Broadcasting Network (CBN).

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting.

These financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Net assets and revenues, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. The University's net assets are segregated into three net asset groups:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University.

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

Revenues are reported as increases in the unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (see note 14). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

Cash Equivalents

The University considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents which are utilized within a managed investment portfolio are accounted for as investments.

Contributions Receivable

Contributions receivable to the University are recognized as revenues in the period the promise is made by the donor. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions of assets other than cash are recorded at their estimated fair value. Conditional contributions to give are not recognized until the conditions on which they depend are substantially met.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Investments

Investments in real estate, oil and gas leases and royalty interests and annuities are stated at cost and all other investments are stated at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statements of activities. Investment income is reported net of related investment expenses.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

Financial Instruments

The carrying amount of cash and cash equivalents, accounts and loans receivable and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amount of the investments that are considered to be financial instruments is fair market value (see note 5). In addition, the fair value of the line of credit facility, mortgages payable and capital lease obligations approximate carrying amount as the related interest rates approximate market rates.

Property, Plant and Equipment

Property, plant and equipment is stated at the cost of the asset acquired or fair value at the date of donation in the case of gifts. Depreciation is computed under the straight-line method over estimated remaining useful lives of 45 years for buildings and improvements, five to 10 years for furniture and equipment, 15 years for library books and materials and three to seven years for computer hardware and software.

Income Taxes

The University has been recognized by the Internal Revenue Service as tax-exempt under section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the University to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The University allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Reclassifications

Certain reclassifications have been made to the 1997 financial statements to conform to the 1998 presentation.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(2) Related Party Transactions

The University was charged \$1,265,000 and \$1,286,000 during fiscal years 1998 and 1997, respectively, for various services performed by CBN and paid CBN an additional \$6,216,000 and \$1,262,000 in 1998 and 1997, respectively, for mortgage, building and land payments. The University also received cash support of \$1,262,000 from CBN during fiscal year 1997.

Three members of the University's Board of Trustees are also members of the Board of Directors of CBN.

(3) Cash and Cash Equivalents

Cash and cash equivalents at June 30 consist of the following (in thousands):

	1998	-	1997
Cash	\$ 253		151
Common fund - The Short Term Fund	814		159
Money market accounts	1		1
	\$ 1,068		311

(4) Contributions Receivable

Contributions receivable at June 30, 1998 are expected to be received as follows (in thousands):

By June 30, 1999	\$ 279
By June 30, 2003	200
	479
Less unamortized discount	(33)
	\$ 446

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(5) Investments

Investments at June 30 consist of the following (in thousands):

	1998		1997	
	Cost	Carrying value	Cost	Carrying value
Cash and money market accounts	\$ 9,784	9,784	4,927	4,927
Corporate bonds	16,297	16,089	8,316	8,177
U.S. government securities	30,749	32,141	17,987	17,701
Mortgage-backed securities	11,735	11,876	10,573	10,467
Common stock - domestic	136,183	161,282	94,382	216,009
Common stock - foreign	72,414	72,471	24,653	30,065
Real estate	275	275	275	275
Oil and gas leases, royalty interest, annuities and other	202	185	206	195
	\$ 277,639	304,103	161,319	287,816

The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from its market or credit risks would materially affect the financial position of the University.

Investment expenses netted against investment income on the statement of activities were \$1,458,000 and \$877,000 for the years ended June 30, 1998 and 1997, respectively.

(6) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of the following (in thousands):

	1998	1997
Land	\$ 1,891	1,485
Buildings and improvements	41,280	38,878
Furniture and equipment	6,324	6,129
Library books and materials	12,150	11,464
Computer hardware and software	4,204	3,570
	65,849	61,526
Less accumulated depreciation and amortization	23,487	20,894
	\$ 42,362	40,632

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(7) Mortgages Payable

Mortgages payable at June 30 consist of the following:

	1998	1997
Industrial Revenue Bond, Housing Phase I, interest at 9-3/4%; payable in equal monthly installments of \$38,000 including interest, through September 2006. The Phase I complex with a net book value of \$3,152,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance.	\$ 2,684	2,864
First Virginia Bank, Housing Phase II, interest at 7-1/4%; payable in equal monthly installments of \$42,000 including interest, through September 2006. The Phase II complex with a net book value of \$3,895,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance.	3,148	3,414
Payable to CBN, interest at 10%; principal due in quarterly installments of \$217,000 plus interest. The library building and land with a net book value of \$8,949,000 at June 30, 1997 was pledged as collateral.	—	3,410
	\$ 5,832	9,688

Principal payments due are as follows (in thousands):

	IRB	Phase II	Total
1999	\$ 202	288	490
2000	223	309	532
2001	246	332	578
2002	271	357	628
2003	299	384	683
Thereafter	1,443	1,478	2,921
	\$ 2,684	3,148	5,832

During the fiscal years ended June 30, 1998 and 1997 the interest costs incurred related to mortgages payable were \$514,000 and \$945,000, respectively.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(8) Leases

The University is obligated under various capital equipment leases that expire at various dates during the next year. The assets capitalized under these agreements have a cost of \$2,845,000 and related accumulated amortization of \$1,367,000 and \$1,063,000 at June 30, 1998 and 1997, respectively. Amortization for the years ended June 30, 1998 and 1997 was \$304,000. During the fiscal years ended June 30, 1998 and 1997, the interest cost related to capital leases was \$37,000 and \$78,000, respectively.

Additionally, the University also leases certain office equipment under various noncancelable operating lease agreements that expire over the next five years.

Future minimum lease payments under noncancelable operating leases and future minimum capital lease payments are as follows (in thousands):

	Capital leases	Operating leases
Year ending June 30,:		
1999	\$ 214	89
2000	-	83
2001	-	64
2002	-	61
2003	-	26
Total minimum lease payments	214	\$ 323
Less amount representing interest	4	
	\$ 210	

Total rental expense for fiscal years 1998 and 1997 was \$51,000 and \$91,000, respectively.

(9) Line of Credit Facility

The University maintains a \$15,000,000 line of credit facility that expires on January 1, 2000. A portion of the managed investment portfolio of \$55,793,000 has been pledged as collateral. The University pays a quarterly commitment fee of 1/8 of 1% per annum on the unused portion of the credit facility and the Federal Funds or LIBOR rate plus 1/2% on the used portion. The outstanding balance under this line was \$12,052,000 at June 30, 1998 and 1997. The outstanding balance is due at expiration of the line of credit agreement. During the fiscal years ended June 30, 1998 and 1997, the interest cost related to the line of credit facility was \$761,000 and \$724,000, respectively.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(10) Pension Plan

The University provides retirement benefits through a defined contribution plan adopted pursuant to section 403(b) of the Internal Revenue Code. Regular full-time employees are eligible to participate in the plan after two years of employment. The plan allows employees and the University to make contributions. The University's total contributions for the years ended June 30, 1998 and 1997 were \$625,000 and \$508,000 at a rate of 8% and 7% of eligible employees' base salaries, respectively.

(11) Financial Instruments - Concentrations of Credit Risk

At June 30, 1998 and 1997, the University had certain concentrations of credit risk in the form of cash and investments which amounted to approximately \$302,968,000 and \$141,653,000, respectively. If the investment managers failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory and private insurance.

(12) Temporarily Restricted Net Assets

The amounts included as temporarily restricted net assets at June 30 consist of the following (in thousands):

	1998	1997
Scholarships	\$ 4,107	4,384
Law School Chair	872	649
Annuity funds	47	51
Other	218	102
	<u>\$ 5,244</u>	<u>5,186</u>

(13) Permanently Restricted Net Assets

The amounts included as permanently restricted net assets at June 30 are to be held in perpetuity and the related income is to be used as follows (in thousands):

	1998	1997
General operations	\$ 95,296	95,198
Scholarships	3,186	3,120
Law School Chair	1,012	1,012
Student films	1,280	-
Loan funds	180	180
Other	258	257
	<u>\$ 101,212</u>	<u>99,767</u>

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(14) Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were \$1,558,000 and \$2,249,000 for the years ended June 30, 1998 and 1997, respectively.

(15) Contingencies

The University is from time-to-time subject to litigation and other matters arising from the normal course of operations. Management does not believe that the results of these matters will have a materially adverse effect on the University's financial condition.

Final expenditure reports of student financial aid submitted to the U.S. Department of Education in current and prior years are subject to audit. As a result, the reimbursed expenditures are subject to adjustment. The effect of such adjustments, if any, is not determinable at this time. Management is of the opinion that the liability, if any, would not have a material adverse effect of the University's financial position.

REGENT UNIVERSITY

Combining Statements of Financial Position

June 30, 1998 and 1997

(dollars in thousands)

	1998			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 862	167	39	1,068
Accounts and loans receivable, less allowance for doubtful accounts of \$116	244	-	-	244
Current portion of contributions receivable	-	20	259	279
Accrued investment income	1,007	33	-	1,040
Inventories	194	-	-	194
Prepaid expenses and other assets	303	-	-	303
Total current assets	2,610	220	298	3,128
Contributions receivable	-	-	167	167
Investments	198,225	5,131	100,747	304,103
Property, plant and equipment, net	42,362	-	-	42,362
Total assets	\$ 243,197	5,351	101,212	349,760
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued expenses	2,917	107	-	3,024
Current portion of mortgages payable	490	-	-	490
Current portion of capital lease obligations	210	-	-	210
Total current liabilities	3,617	107	-	3,724
Line of credit facility	12,052	-	-	12,052
Mortgages payable	5,342	-	-	5,342
Total liabilities	21,011	107	-	21,118
Net assets:				
Unrestricted	222,186	-	-	222,186
Temporarily restricted	-	5,244	-	5,244
Permanently restricted	-	-	101,212	101,212
Total net assets	222,186	5,244	101,212	328,642
Total liabilities and net assets	\$ 243,197	5,351	101,212	349,760

(Continued)

REGENT UNIVERSITY

Combining Statements of Financial Position, Continued

	1997			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 103	171	37	311
Accounts and loans receivable, less allowance for doubtful accounts of \$89	206	—	—	206
Current portion of contributions receivable	—	30	354	384
Accrued investment income	555	18	—	573
Inventories	240	—	—	240
Prepaid expenses and other assets	223	—	—	223
Total current assets	1,327	219	391	1,937
Contributions receivable	—	—	267	267
Investments	183,644	5,063	99,109	287,816
Property, plant and equipment, net	40,632	—	—	40,632
Total assets	\$ 225,603	5,282	99,767	330,652
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued expenses	2,532	96	—	2,628
Current portion of mortgages payable	1,318	—	—	1,318
Current portion of capital lease obligations	504	—	—	504
Total current liabilities	4,354	96	—	4,450
Mortgages payable	8,370	—	—	8,370
Capital lease obligations	201	—	—	201
Line of credit facility	12,052	—	—	12,052
Total liabilities	24,977	96	—	25,073
Net assets:				
Unrestricted	200,626	—	—	200,626
Temporarily restricted	—	5,186	—	5,186
Permanently restricted	—	—	99,767	99,767
Total net assets	200,626	5,186	99,767	305,579
Total liabilities and net assets	\$ 225,603	5,282	99,767	330,652

KPMG

The Global Leader

REGENT UNIVERSITY

Financial Statements and Supplementary Schedule

June 30, 1997 and 1996

(With Independent Auditors' Report Thereon)

KPMG Peat Marwick LLP

2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Board of Trustees
Regent University:

We have audited the accompanying statements of financial position of Regent University (the University) as of June 30, 1997 and 1996, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

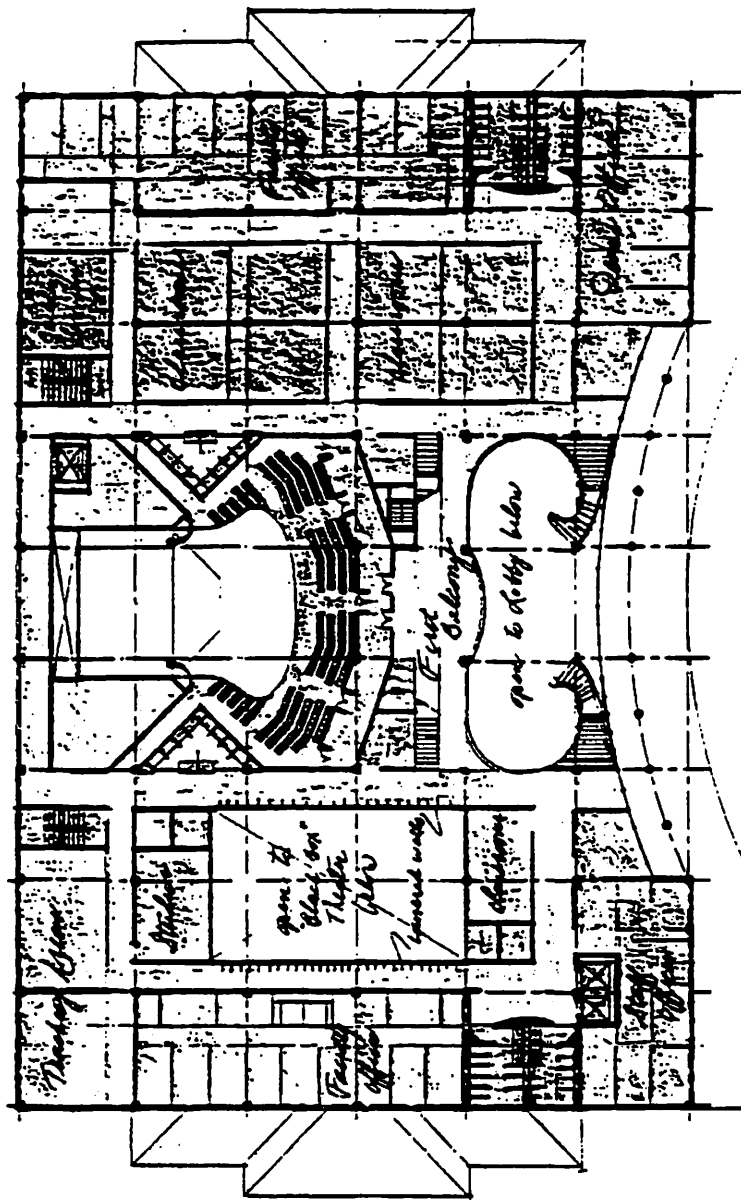
We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regent University at June 30, 1997 and 1996, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG Peat Marwick LLP

August 21, 1997



REGENT
UNIVERSITY

College of Communication and the Arts

Second Floor

PROJECT NARRATIVE

REGENT UNIVERSITY

EVENT CENTER

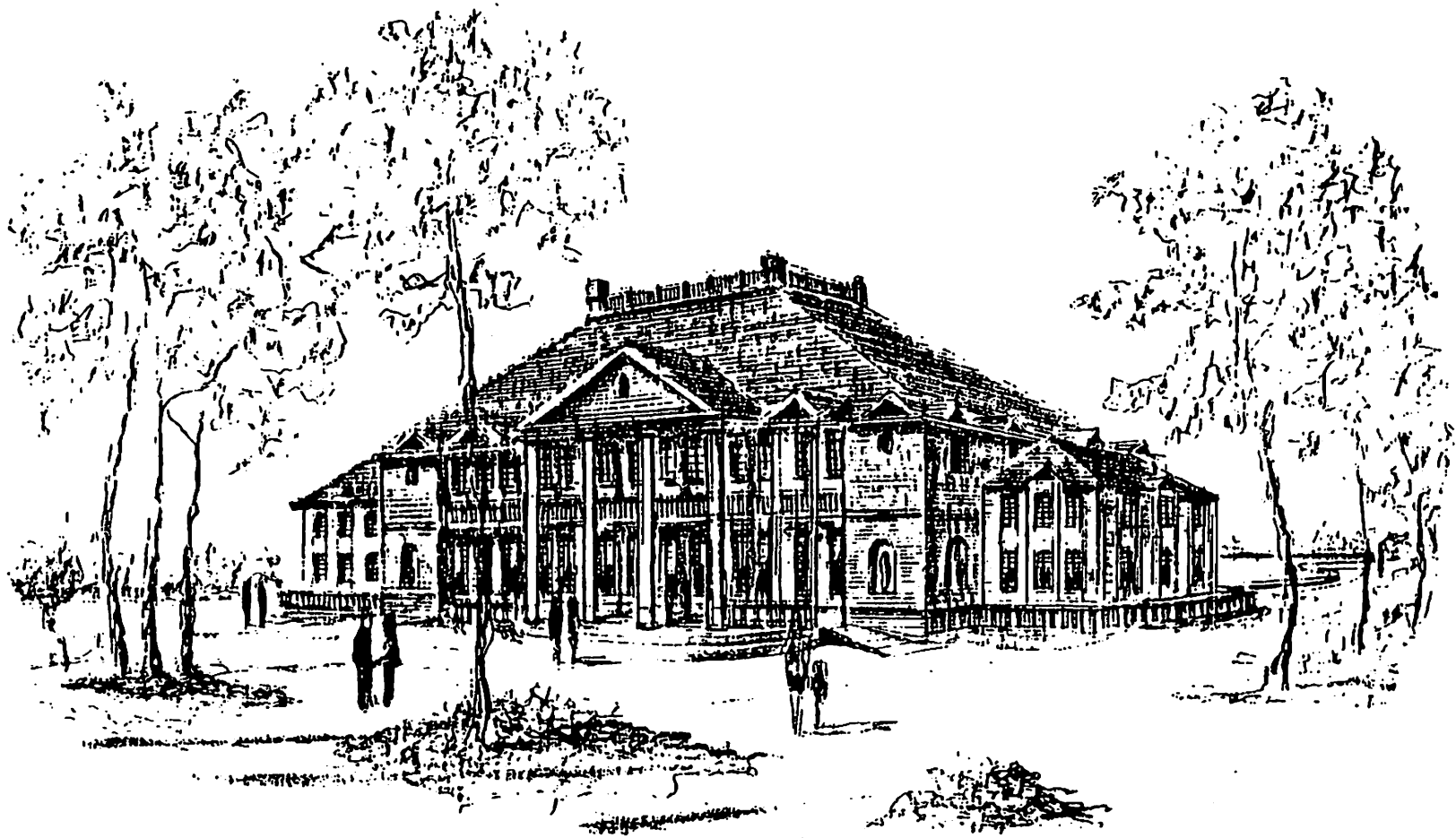
The Event Center is conceived to provide a 3,000-person auditorium seating to house major events which occur during the course of a typical University year. This would include graduation exercises, various assembly and lecture series, nationally or world-renowned guest lectures and speakers, and other major events requiring seating of up to 3,000 guests. In addition to the large auditorium, there will be a number of smaller lecture rooms, practice rooms, breakout spaces and multi-use conference spaces. These functional elements will enable group discussions and workshops to occur following major presentations. This facility will be approximately 60,000 sq. ft. located on two levels and contain outdoor terraces to encourage social interaction on pleasant spring, summer and fall evenings which occur in abundance on this beautiful campus.

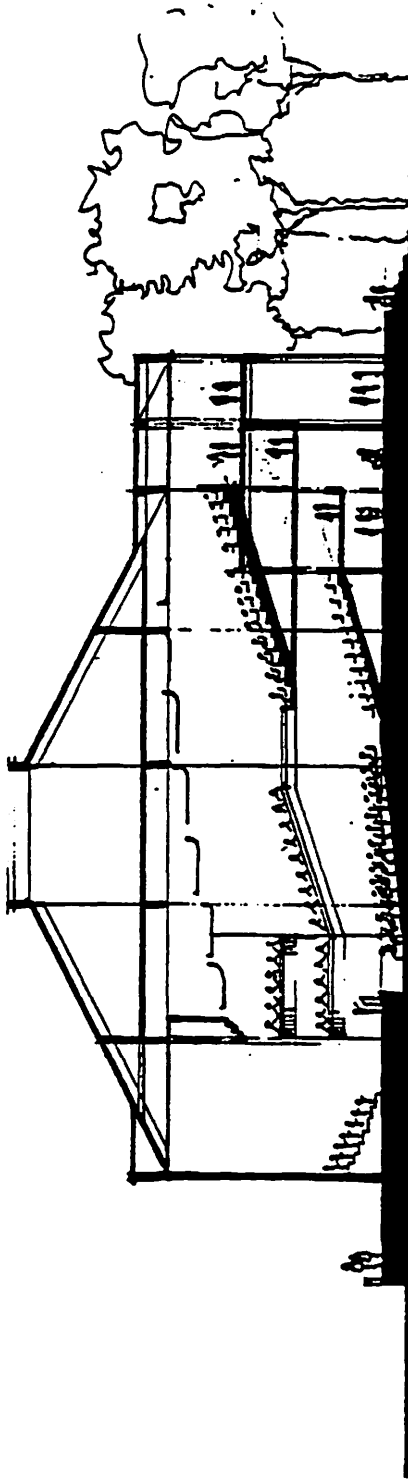
The building will be sited opposite the College of Communication and the Arts building, thereby punctuating the newly created main Regent University entrance boulevard. It will also create a secondary access with the center line of Founders Inn main entrance lobby and formal gardens across the lake. The lake itself will be expanded by about 50% of its present size and will touch the north terrace of the building.

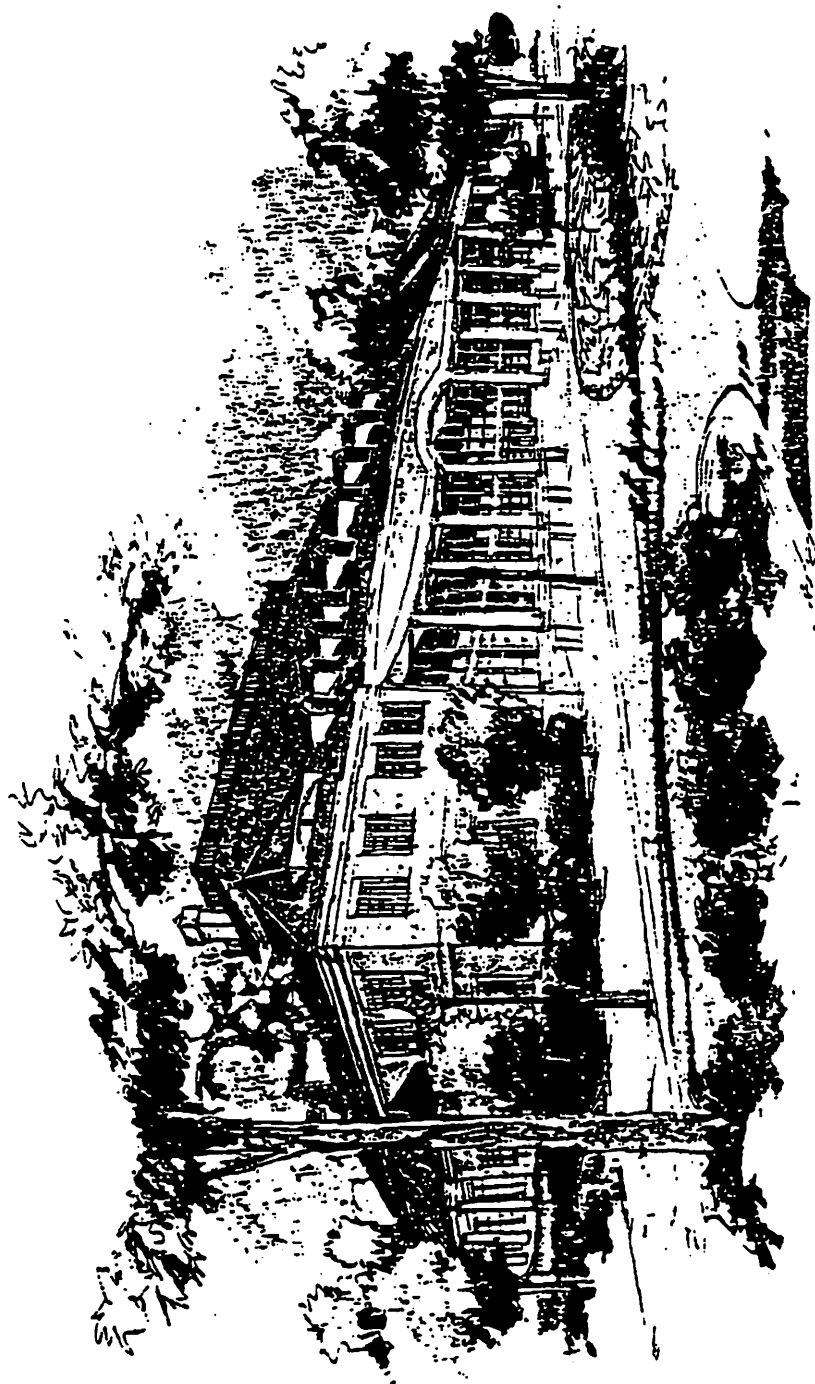
It is conceivable that a visual and functional connection with the Conference Center which is part of Founders Inn will create a desirable and useful link between conference events generally at Founders Inn but utilizing the large seating capacity Events Center for major events presently unable to be housed therein. The architecture of the building will reflect the good taste and proportions by the existing campus but will also be distinctive in mass and shape due to its unique functionality.

An exterior character sketch and schematic floor plans are included as helpful information to define the overall intent and purpose of this uniquely functional, new addition to Regent University and the CBN campus.





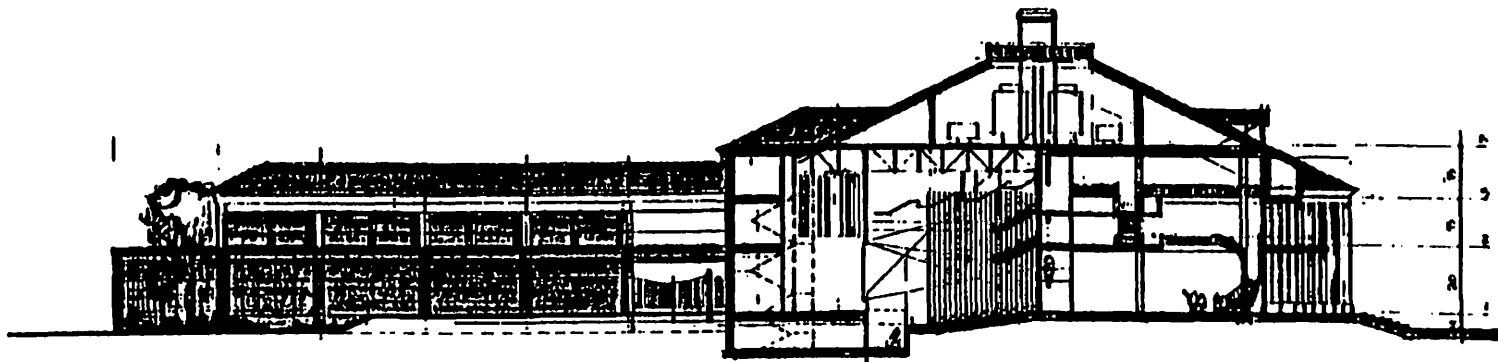


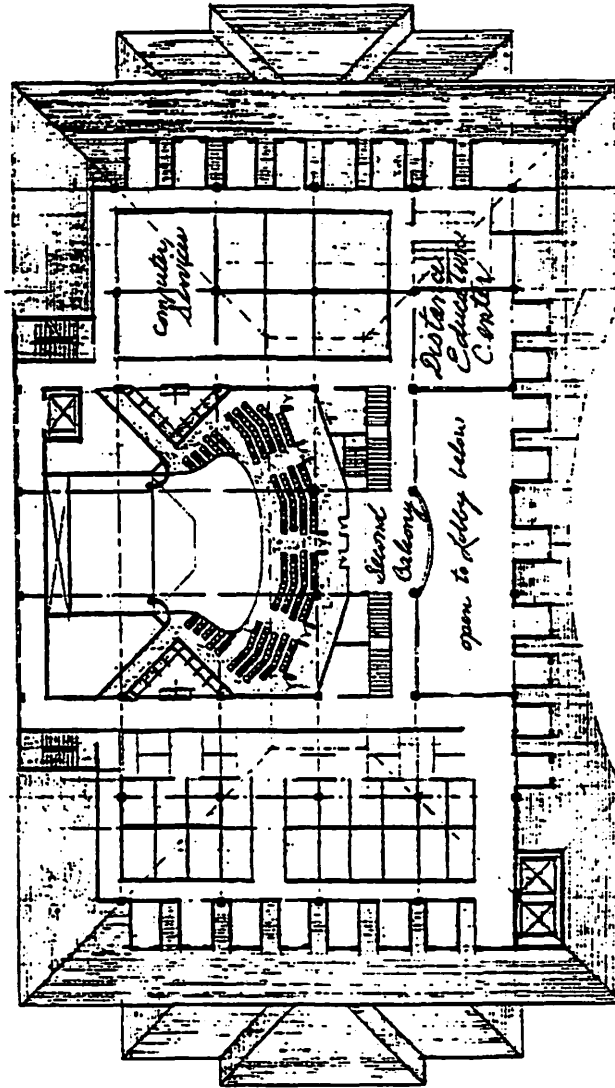


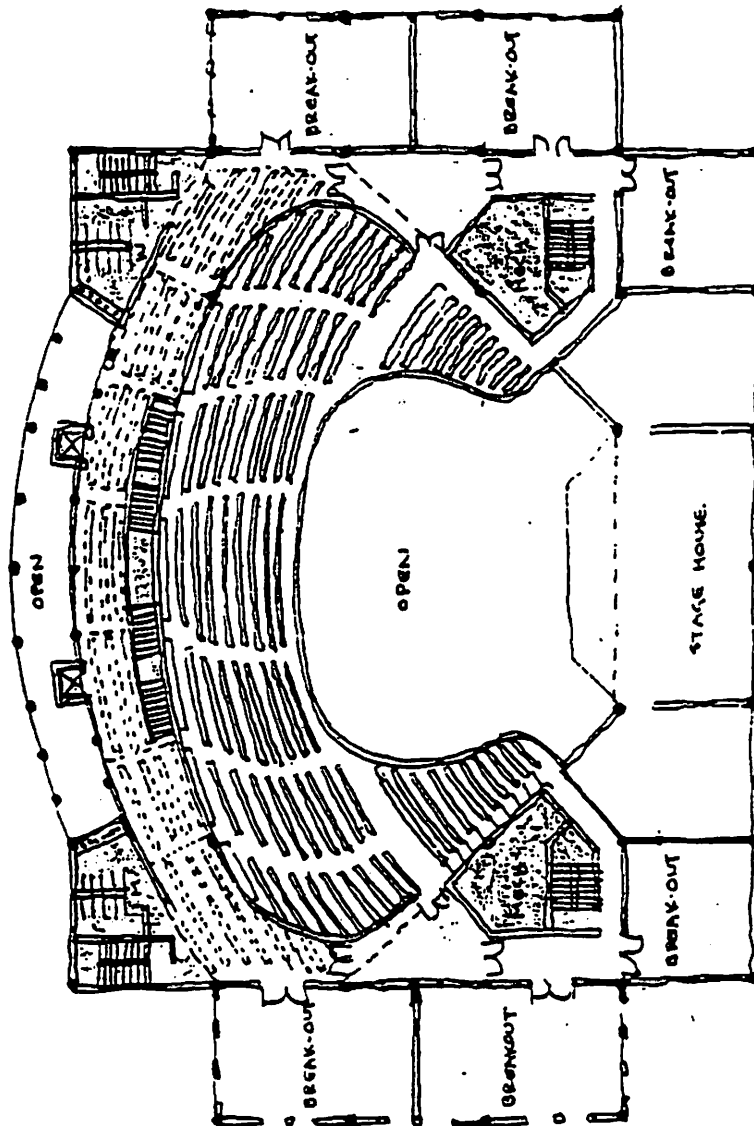
REGENT
UNIVERSITY

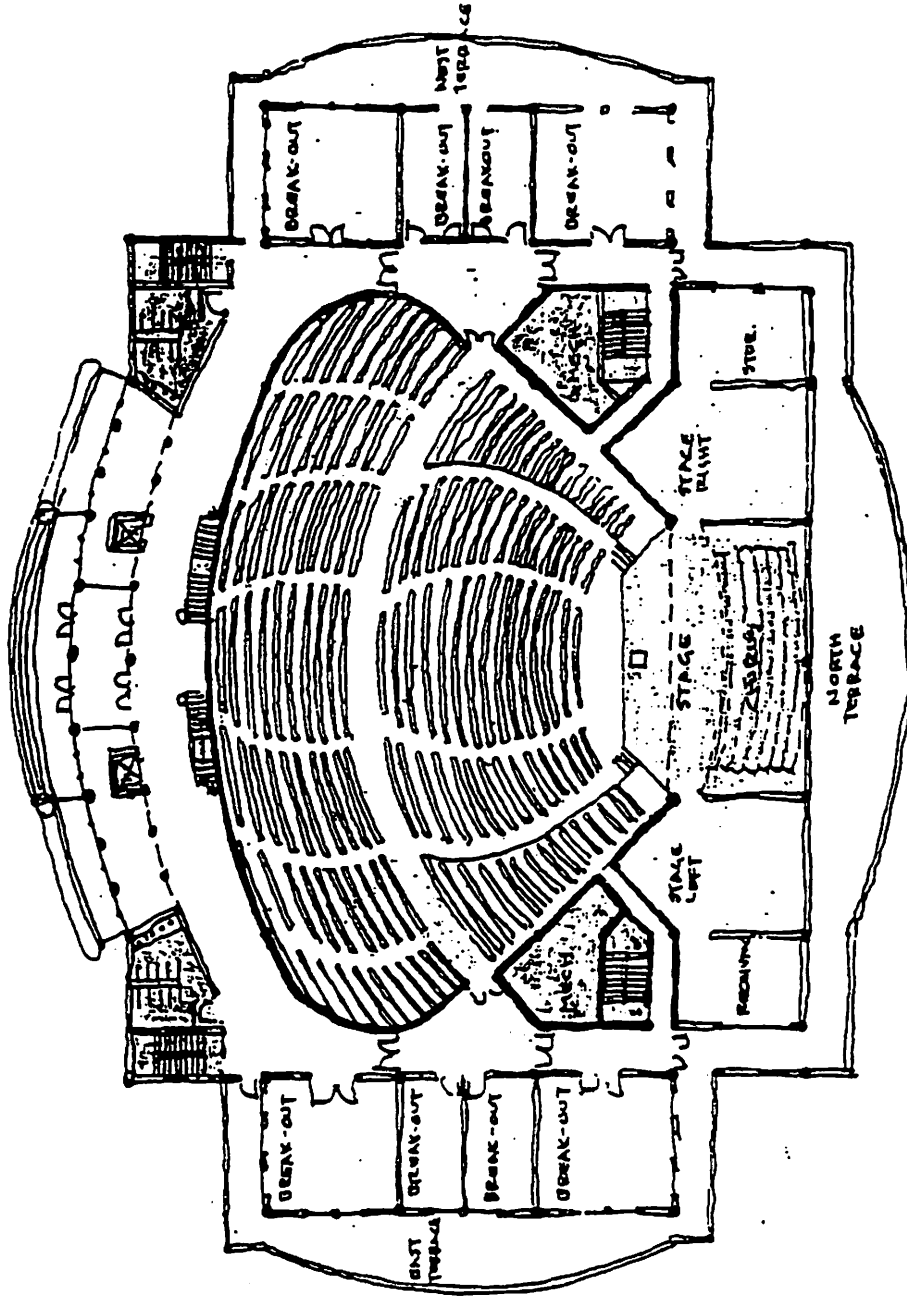
College of Communication and the Arts

Architectural Character









REGENT UNIVERSITY

Statements of Activities

Years ended June 30, 1997 and 1996

(dollars in thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total 1997	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total 1996
Revenues:								
Tuition and fees:								
Gross tuition and fees	\$ 13,088	—	—	13,088	10,939	—	—	10,939
Institutional scholarships	(3,159)	—	—	(3,159)	(2,983)	—	—	(2,983)
Tuition and fees, net	9,929	—	—	9,929	7,956	—	—	7,956
Private gifts	630	390	990	2,010	611	742	41	1,394
Contributions from Christian Broadcasting Network (note 2)	—	1,515	—	1,515	—	1,349	—	1,349
Investment income, net (note 5)	3,004	176	3	3,183	3,676	176	1	3,853
Realized gains on investments, net	10,171	398	9	10,578	10,621	358	3	10,982
Unrealized gains on investments, net	79,978	1,331	28	81,337	24,287	665	—	24,952
Auxiliary services	2,270	—	—	2,270	2,151	—	—	2,151
Other sources	473	19	1	493	358	—	2	360
Net assets released from restrictions (note 15)	2,249	(2,249)	—	—	2,506	(2,506)	—	—
Total revenues	108,704	1,580	1,031	111,315	52,166	784	47	52,997
Expenses:								
Program services:								
Instruction	12,533	—	—	12,533	10,757	—	—	10,757
Student services	774	—	—	774	728	—	—	728
Auxiliary services	1,632	—	—	1,632	1,585	—	—	1,585
Total program services	14,939	—	—	14,939	13,070	—	—	13,070
Supporting services:								
Academic support	3,959	—	—	3,959	3,933	—	—	3,933
Fundraising	417	—	—	417	732	—	—	732
Institutional support	5,738	—	—	5,738	4,981	—	—	4,981
Total supporting services	10,114	—	—	10,114	9,646	—	—	9,646
Total expenses	25,053	—	—	25,053	22,716	—	—	22,716
Changes in net assets	83,651	1,580	1,031	86,262	29,450	784	47	30,281
Net assets at beginning of year	116,975	3,606	98,736	219,317	87,525	2,822	98,689	189,036
Net assets at end of year	\$ 200,626	5,186	99,767	305,579	116,975	3,606	98,736	219,317

REGENT UNIVERSITY

Statements of Financial Position

June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Assets:		
Current assets:		
Cash and cash equivalents (note 3)	\$ 311	784
Accounts and loans receivable, net of allowance for uncollectible accounts of \$89 and \$60 in 1997 and 1996, respectively	206	247
Pledges receivable (note 4)	384	—
Accrued investment income	573	654
Inventories	240	279
Prepaid expenses and other assets	223	278
Total current assets	1,937	2,242
Pledges receivables, net (note 4)	267	—
Investments (notes 5, 9 and 12)	287,816	201,439
Property, plant and equipment, net (notes 6, 7 and 8)	40,632	42,153
Total assets	\$ 330,652	245,834
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued expenses	2,628	2,283
Current portion of mortgages payable (notes 2 and 7)	1,318	1,283
Current portion of capital lease obligations (note 8)	504	511
Line of credit facility (note 9)	12,052	12,052
Total current liabilities	16,502	16,129
Mortgages payable (notes 2 and 7)	8,370	9,686
Capital lease obligations (note 8)	201	702
Total liabilities	25,073	26,517
Net assets:		
Unrestricted	200,626	116,975
Temporarily restricted (note 13)	5,186	3,606
Permanently restricted (note 14)	99,767	98,736
Total net assets	305,579	219,317
Commitments, contingencies and subsequent event (notes 8, 11 and 16)		
Total liabilities and net assets	\$ 330,652	245,834

See accompanying notes to financial statements.

REGENT UNIVERSITY

Notes to Financial Statements

June 30, 1997 and 1996

(1) Nature of Operations and Significant Accounting Policies

Regent University (the University) is a nonstock, nonprofit graduate educational institution established in 1977. The University is accredited by the Southern Association of Colleges and Schools. The University presently includes the College of Communication and the Arts, School of Business, School of Counseling and Human Services, School of Divinity, School of Education, School of Government, School of Law and the Center for Leadership Studies.

The University derives a portion of its support from the Christian Broadcasting Network (CBN). The affairs of the University are governed by a Board of Trustees. The election of individual trustees and the selection of the University's Chairman of the Board is made by a majority vote of the Directors of CBN.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting.

These financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets: unrestricted, temporarily restricted or permanently restricted.

Net assets and revenues, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University.

REGENT UNIVERSITY

Statements of Cash Flows

Years ended June 30, 1997 and 1996

(dollars in thousands)

	1997	1996
Cash flows from operating activities:		
Changes in net assets	\$ 86,262	30,281
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	2,459	2,430
Gain on disposal of property and equipment	-	(5)
Allowance for doubtful accounts	29	5
Contributions of investments	(118)	(99)
Realized gain on sales of investments, net	(10,578)	(10,982)
Unrealized gain on investments, net	(81,337)	(24,952)
Permanently restricted contributions and investment income	(994)	(45)
Payments on gift annuities	13	13
Gift for payment of mortgages payable	(1,262)	(1,349)
Changes in assets and liabilities:		
Accounts and loans receivable	12	(64)
Pledges receivable	(651)	-
Accrued investment income	81	(208)
Inventories	39	(25)
Prepaid expenses and other assets	55	52
Accounts payable and accrued expenses	345	256
Total adjustments	(91,907)	(34,973)
Net cash used in operating activities	(5,645)	(4,692)
Cash flows from investing activities:		
Purchases of property and equipment	(925)	(751)
Proceeds from sales of property and equipment	-	5
Purchases of investments	(143,540)	(489,817)
Proceeds from sales of investments	149,183	489,247
Net cash provided by (used in) investing activities	4,718	(1,316)
Cash flows from financing activities:		
Gift for payment of mortgages payable	1,262	1,349
Proceeds from line of credit facility	-	5,500
Payments on mortgages payable	(1,281)	(1,244)
Payments on capital lease obligations	(508)	(643)
Payments on gift annuities	(13)	(13)
Permanently restricted contributions, investment income, net and realized gains	994	45
Net cash provided by financing activities	454	4,994
Net decrease in cash and cash equivalents	(473)	(1,014)
Cash and cash equivalents at beginning of year	784	1,798
Cash and cash equivalents at end of year	\$ 311	784
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,694	1,852
Contributions of investments	\$ 118	99

See accompanying notes to financial statements.

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

Financial Instruments

The carrying amount of cash and cash equivalents, accounts and loans receivable and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amount of the investments that are considered to be financial instruments is fair market value (see note 5). In addition, the fair value of the line of credit facility, mortgages payable and capital lease obligations approximate carrying amount as the related interest rates approximate market rates.

Property, Plant and Equipment

Property, plant and equipment is stated at the cost of the asset acquired or fair value at the date of donation in the case of gifts. Depreciation is computed under the straight-line method over estimated remaining useful lives of 45 years for buildings and improvements, five to 10 years for furniture and equipment, 15 years for library books and materials and three to seven years for computer hardware and software.

Income Taxes

The University has been recognized by the Internal Revenue Service as tax-exempt under section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the University to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The University allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated by various statistical bases.

Reclassifications

Certain reclassifications have been made to the 1996 financial statements to conform to the 1997 presentation.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

Revenues are reported as increases in the unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (see note 15). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

Cash Equivalents

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents which are utilized within a managed investment portfolio are accounted for as investments.

Pledges Receivable

Pledges receivable to the University are recognized as revenues in the period the promise is made by the donor. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions of assets other than cash are recorded at their estimated fair value. Conditional contributions to give are not recognized until the conditions on which they depend are substantially met.

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Investments

Investments in real estate, oil and gas leases and royalty interests and annuities are stated at cost and all other investments are stated at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statements of activities. Investment income is reported net of related investment expenses.

REGENT UNIVERSITY

Notes to Financial Statements

(5) Investments

Investments at June 30 consist of the following (in thousands):

	1997		1996	
	Cost	Carrying value	Cost	Carrying value
Cash and money market accounts	\$ 4,927	4,927	2,895	2,895
Corporate bonds	8,316	8,177	7,648	7,251
U.S. government securities	17,987	17,701	23,710	22,806
Mortgage-backed securities	10,573	10,467	6,280	6,087
Common stock - domestic	94,382	216,009	91,436	136,707
Common stock - foreign	24,653	30,065	23,818	25,212
Real estate	275	275	275	275
Oil and gas leases and royalty interest	80	80	92	92
Annuities	78	78	77	77
Other	48	37	48	37
	\$ 161,319	287,816	156,279	201,439

The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from its market or credit risks would materially affect the financial position of the University.

Investment expenses netted against investment income on the statement of activities were \$877,000 and \$646,000 for the years ended June 30, 1997 and 1996, respectively.

(6) Property, Plant and Equipment

Property, plant and equipment at June 30 consist of the following (in thousands):

	1997	1996
Land	\$ 1,485	1,485
Buildings and improvements	38,878	38,878
Furniture and equipment	6,129	5,991
Library books and materials	11,464	10,958
Computer hardware and software	3,570	3,289
	61,526	60,601
Less accumulated depreciation and amortization	20,894	18,448
	\$ 40,632	42,153

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(2) Related Party Transactions

The University was charged \$1,286,000 and \$1,209,000 during fiscal years 1997 and 1996, respectively, for various services performed by CBN and paid CBN an additional \$1,262,000 and \$1,349,000 in 1997 and 1996, respectively, for mortgage payments. The University also received cash support of \$1,262,000 and \$1,349,000 from CBN during fiscal years 1997 and 1996, respectively.

Three members of the University's Board of Trustees are also members of the Board of Directors of CBN.

(3) Cash and Cash Equivalents

Cash and cash equivalents at June 30 consist of the following (in thousands):

	1997	1996
Cash	\$ 151	88
Common fund - The Short Term Fund	159	694
Money market accounts	1	2
	<u>\$ 311</u>	<u>784</u>

(4) Pledges Receivable

Pledges receivable at June 30, 1997 are expected to be received as follows (in thousands):

By June 30, 1998	\$ 384
By June 30, 2002	300
	<u>684</u>
Less unamortized discount	<u>(33)</u>
	<u>\$ 651</u>

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(8) Leases

The University is obligated under various capital equipment leases that expire at various dates during the next three years. The assets capitalized under these agreements have a cost of \$2,845,000 and related accumulated amortization of \$1,063,000 and \$759,000 at June 30, 1997 and 1996, respectively. Amortization for the years ended June 30, 1997 and 1996 was \$304,000. During the fiscal years ended June 30, 1997 and 1996, the interest cost related to capital leases was \$78,000 and \$133,000, respectively.

Additionally, the University also leases certain office equipment under various noncancelable operating lease agreements that expire over the next four years.

Future minimum lease payments under noncancelable operating leases and future minimum capital lease payments are as follows (in thousands):

	Capital leases	Operating leases
Year ending June 30,:		
1998	\$ 532	119
1999	212	94
2000	-	19
Total minimum lease payments	744	\$ 232
Less amount representing interest	39	
	\$ 705	

Total rental expense for fiscal years 1997 and 1996 was \$91,000 and \$99,000, respectively.

(9) Line of Credit Facility

The University maintains a \$15,000,000 line of credit facility that expires on January 1, 1998. The managed investment portfolio of \$123,078,000 has been pledged as collateral. The University pays a quarterly commitment fee of 1/8 of 1% per annum on the unused portion of the credit facility and the Federal Funds or LIBOR rate plus 1/2% on the used portion. The outstanding balance under this line was \$12,052,000 at June 30, 1997 and 1996. The outstanding balance is due at expiration of the line of credit agreement. During the fiscal years ended June 30, 1997 and 1996, the interest cost related to the line of credit facility was \$724,000 and \$621,000, respectively.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(7) Mortgages Payable

Mortgages payable at June 30 consist of the following table:

	1997	1996
Payable to CBN, interest at 10%; principal due in quarterly installments of \$217,000 plus interest through June 30, 2001, when the remaining balance is due. The library building and land with a net book value of \$9,240,000 are pledged as collateral.	\$ 3,410	4,278
Industrial Revenue Bond, Housing Phase I, interest at 9-3/4%; payable in equal monthly installments of \$38,000 including interest, through September 2006. The Phase I complex with a net book value of \$3,252,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance.	2,864	3,027
First Virginia Bank, Housing Phase II, interest at 7-1/4%; payable in equal monthly installments of \$42,000 including interest, through September 2006. The Phase II complex with a net book value of \$3,993,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance.	3,414	3,664
	\$ 9,688	10,969

Principal payments due are as follows (in thousands):

	Library	IRB	Phase II
1998	\$ 867	184	267
1999	867	203	288
2000	867	224	309
2001	809	246	332
2002	-	271	357
Thereafter	-	1,736	1,861
	\$ 3,410	2,864	3,414

During the fiscal years ended June 30, 1997 and 1996 the interest costs incurred related to mortgages payable were \$945,000 and \$1,066,000, respectively.

REGENT UNIVERSITY

Notes to Financial Statements

(14) Permanently Restricted Net Assets

The amount included as permanently restricted net assets at June 30 is to be held in perpetuity and the related income is to be used as follows (in thousands):

	1997	1996
General operations	\$ 95,198	95,170
Scholarships	3,120	2,661
Loan funds	180	179
Other	1,269	726
	<hr/>	<hr/>
	\$ 99,767	98,736

(15) Net Assets Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were \$2,249,000 and \$2,506,000 for the years ended June 30, 1997 and 1996, respectively.

(16) Subsequent Event

On August 1, 1997, the University sold all of its 4,214,000 shares of International Family Entertainment, Inc. Class B Stock for \$35 per share or \$147,501,000 to an unrelated organization. As a result, the University realized \$66,902,000 of the \$81,337,000 unrealized gain recorded at June 30, 1997. The remainder of the unrealized gain recorded at June 30, 1997 relates to other investments.

REGENT UNIVERSITY

Notes to Financial Statements

(10) Pension Plan

The University provides retirement benefits through a defined contribution plan adopted pursuant to Section 403(b) of the Internal Revenue Code. Regular full-time employees are eligible to participate in the plan after two years of employment. The plan allows employees and the University to make contributions. The University's total contributions for the years ended June 30, 1997 and 1996 were \$508,000 and \$307,000 at a rate of 7% and 5% of eligible employees' base salaries, respectively.

(11) Litigation, Claims and Assessments Pending

In July 1995, former employees of the University filed an action in the Circuit Court of Virginia Beach alleging breach of contract and defamation. The outcome of this litigation is not currently predictable; however, the University intends to vigorously defend against these allegations.

In addition, the University is from time to time subject to litigation and other matters arising from the normal course of operations. Management does not believe that the results of the above litigation and other pending legal proceedings will have a materially adverse effect on the University's financial condition.

(12) Financial Instruments - Concentrations of Credit Risk

At June 30, 1997 and 1996, the University had certain concentrations of credit risk in the form of cash and investments which amounted to approximately \$141,653,000 and \$122,461,000, respectively. In addition, the University holds an investment in common stock in one domestic company with a fair market value of \$144,867,000 and \$77,965,000 at June 30, 1997 and 1996, respectively. If the investment managers failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory and private insurance.

(13) Temporarily Restricted Net Assets

The amounts included as temporarily restricted net assets at June 30 consist of the following (in thousands):

	1997	1996
Scholarships	\$ 5,033	3,380
Annuity funds	51	54
Other	102	172
	<u>\$ 5,186</u>	<u>3,606</u>

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and
neale
architects**

Architecture
Planning
Interior Design

REGENT UNIVERSITY
at
KING STREET EXCHANGE
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Schematic Design Pricing Package

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Issued 12 March 1999

KPMG Peat Marwick LLP

2100 Dominion Tower
999 Waterside Drive
Norfolk, VA 23510

Independent Auditors' Report

The Board of Trustees
Regent University:

We have audited the accompanying statement of financial position of Regent University (the University) as of June 30, 1996, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regent University at June 30, 1996, and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the financial statements, as of July 1, 1995, the University adopted the provisions of Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, No. 117, *Financial Statements of Not-for-Profit Organizations* and No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

KPMG Peat Marwick LLP

August 20, 1996

REGENT UNIVERSITY

Statement of Financial Position

June 30, 1996

(dollars in thousands)

Assets:

Current assets:

Cash and cash equivalents (notes 3 and 6)	\$ 784
Accounts and loans receivable, less allowance for uncollectible accounts of \$60	247
Accrued investment income	654
Inventories	279
Prepaid expenses and other assets	278

Total current assets	2,242
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Investments (notes 4, 8 and 11)	201,439
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Property, plant and equipment, net (notes 5, 6 and 7)	42,153
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Total assets	\$ 245,834
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Liabilities and Net Assets:

Current liabilities:

Accounts payable and accrued expenses	2,283
Line of credit facility (note 8)	12,052
Current portion of mortgages payable (notes 2 and 6)	1,283
Current portion of capital lease obligations (note 7)	511

Total current liabilities	16,129
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Mortgages payable (notes 2 and 6)	9,686
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Capital lease obligations (note 7)	702
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Total liabilities	26,517
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Net assets:

Unrestricted	116,975
Temporarily restricted (note 12)	3,606
Permanently restricted (note 13)	98,736

Total net assets	219,317
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Commitments and contingencies (notes 7 and 10)	
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Total liabilities and net assets	\$ 245,834
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See accompanying notes to financial statements.

REGENT UNIVERSITY

Statement of Activities

Year ended June 30, 1996

(dollars in thousands)

	Unrestricted net assets	Temporarily restricted net assets	Permanently restricted net assets	Total
Revenues:				
Tuition and fees:				
Gross tuition and fees	\$ 10,939	—	—	10,939
Institutional scholarships	(2,983)	—	—	(2,983)
Tuition and fees, net	7,956	—	—	7,956
Private gifts	611	742	41	1,394
Contributions from Christian Broadcasting Network (note 2)	—	1,349	—	1,349
Investment income, net (note 4)	3,676	176	1	3,853
Realized gains on investments, net	10,621	358	3	10,982
Unrealized gains on investments, net	24,287	665	—	24,952
Auxiliary services	2,151	—	—	2,151
Other sources	358	—	2	360
Net assets released from restrictions (note 14)	2,506	(2,506)	—	—
Total revenues	52,166	784	47	52,997
Expenses:				
Educational and general:				
Instruction	8,709	—	—	8,709
Academic support	2,131	—	—	2,131
Student services	541	—	—	541
Institutional support	4,670	—	—	4,670
Operation and maintenance of plant	1,428	—	—	1,428
Depreciation and amortization	2,430	—	—	2,430
Interest on indebtedness	1,236	—	—	1,236
Total educational and general	21,145	—	—	21,145
Auxiliary services:				
General	987	—	—	987
Interest on indebtedness	584	—	—	584
Total auxiliary services	1,571	—	—	1,571
Total expenses	22,716	—	—	22,716
Changes in net assets	29,450	784	47	30,281
Net assets at beginning of year, as restated (note 1)	87,525	2,822	98,689	189,036
Net assets at end of year	\$ 116,975	3,606	98,736	219,317

See accompanying notes to financial statements.

REGENT UNIVERSITY**Statement of Cash Flows**

Year ended June 30, 1996

(dollars in thousands)

Cash flows from operating activities:	
Changes in net assets	30,281
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation and amortization	2,430
Contributions of investments	(99)
Gain on disposal of property and equipment	(5)
Realized gain on sales of investments, net	(10,982)
Unrealized gain on investments, net	(24,952)
Permanently restricted contributions, investment income, net and realized gains	(45)
Payments on gift annuities	13
Gift for payment of mortgages payable	(1,349)
Changes in assets and liabilities:	
Accounts and loans receivable	(59)
Accrued investment income	(208)
Inventories	(25)
Prepaid expenses and other assets	52
Accounts payable and accrued expenses	256
Total adjustments	(34,973)
Net cash used in operating activities	(4,692)
Cash flows from investing activities:	
Purchases of property and equipment	(751)
Proceeds from sales of property and equipment	5
Purchases of investments	(489,817)
Proceeds from sales of investments	489,247
Net cash used in investing activities	(1,316)
Cash flows from financing activities:	
Gift for payment of mortgages payable	1,349
Proceeds from line of credit facility	5,500
Payments on mortgages payable	(1,244)
Payments on capital lease obligations	(643)
Payments on gift annuities	(13)
Permanently restricted contributions, investment income, net and realized gains	45
Net cash provided by financing activities	4,994
Net decrease in cash	(1,014)
Cash and cash equivalents at beginning of year	1,798
Cash and cash equivalents at end of year	\$ 784
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ 1,852
Contributions of investments	\$ 99

See accompanying notes to financial statements.

REGENT UNIVERSITY

Notes to Financial Statements

June 30, 1996

(1) Nature of Operations and Significant Accounting Policies

Regent University (the University) is a nonstock, nonprofit graduate educational institution established in 1977. The University is accredited by the Southern Association of Colleges and Schools. The University presently includes the College of Communication and the Arts, School of Business, School of Counseling and Human Services, School of Divinity, School of Education, School of Government and School of Law.

The University derives a portion of its support from the Christian Broadcasting Network (CBN). The affairs of the University are governed by a Board of Trustees. The election of individual trustees and the selection of the University's Chairman of the Board is made by a majority vote of the Directors of CBN.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting.

These financial statements have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets: unrestricted, temporarily restricted or permanently restricted.

Net assets and revenues, gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the University and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the University.

Revenues are reported as increases in the unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets (see note 14). Temporary restrictions on gifts to acquire long-lived assets are considered met in the period the assets are acquired or placed in service.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

On July 1, 1995, the University adopted the provisions of Statements of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, No. 117, *Financial Statements of Not-for-Profit Organizations* and No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The fund balances at July 1, 1995 have been restated to conform to the new standards. The adoption resulted in the reclassification of the fund balances to net asset classes as follows (in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted
Reclassifications in accordance with SFAS No. 117:			
Current funds	\$ 2,260	753	270
Loan funds	159	—	177
Endowment and similar funds	35,572	1,382	98,240
Annuity/life income funds	—	58	—
Plant funds	29,957	—	—
Adoption of SFAS No. 124 (to adjust certain investments to market value)	19,577	629	2
Total restated net assets at July 1, 1995	\$ 87,525	2,822	98,689

Cash Equivalents

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents which are utilized within a managed investment portfolio are accounted for as investments.

Investments

Investments in real estate, oil and gas leases and royalty interest and annuities are stated at cost and all other investments are stated at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statement of activities. Investment income is reported net of related investment expenses.

Financial Instruments

The carrying amount of cash and cash equivalents, accounts and loans receivable and accounts payable and accrued expenses approximate fair value because of the short maturity of these financial instruments. The carrying amount of the investments that are considered to be financial instruments is fair market value (see note 4). In addition, the fair value of line of credit facility, mortgages payable and capital lease obligations approximate carrying amount as the related interest rates approximate market rates.

REGENT UNIVERSITY

Notes to Financial Statements

(1) Continued

Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property, Plant and Equipment

Property, plant and equipment is stated at the cost of the asset acquired or fair value at the date of donation in the case of gifts. Depreciation is computed under the straight-line method over estimated remaining useful lives of 45 years for buildings and improvements, five to 10 years for furniture and equipment, 15 years for library books and materials and three to seven years for computer hardware and software.

Income Taxes

The University has been recognized by the Internal Revenue Service as tax-exempt under section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

Management of the University has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) Related Party Transactions

The University was charged \$1,209,000 during fiscal year 1996 for various services performed by CBN and paid CBN an additional \$1,349,000 for mortgage payments. The University also received cash support of \$1,349,000 from CBN during fiscal year 1996.

Three members of the University's Board of Trustees are also members of the Board of Directors of CBN.

(3) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 1996 consist of the following (in thousands):

Cash	\$ 88
Common fund - The Short Term Fund	694
Money market accounts	2
	<hr/>
	\$ 784

REGENT UNIVERSITY

Notes to Financial Statements

(4) Investments

Investments at June 30, 1996 consist of the following (in thousands):

	Cost	Carrying value
Cash and money market accounts	\$ 2,895	2,895
Corporate bonds	7,648	7,251
U.S. government securities	23,710	22,806
Mortgage-backed securities	6,280	6,087
Common stock - domestic	91,436	136,707
Common stock - foreign	23,818	25,212
Real estate	275	275
Oil and gas leases and royalty interest	92	92
Annuities	77	77
Other	48	37
	\$ 156,279	201,439

The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk. Management does not anticipate that losses resulting from its market or credit risks would materially affect the financial position of the University.

Investment expenses netted against investment income on the statement of activities were \$646,000 for the year ended June 30, 1996.

(5) Property, Plant and Equipment

Property, plant and equipment at June 30, 1996 consist of the following (in thousands):

Land	\$ 1,485
Buildings and improvements	38,878
Furniture and equipment	5,991
Library books and materials	10,958
Computer hardware and software	3,289
	60,601
Less accumulated depreciation and amortization	18,448
	\$ 42,153

REGENT UNIVERSITY

Notes to Financial Statements

(6) Mortgages Payable

Mortgages payable at June 30, 1996 consist of the following (in thousands):

Payable to CBN, interest at 10%; principal due in quarterly installments of \$217,000 plus interest through June 30, 2001, when the remaining balance is due. The library building and land with a net book value of \$9,532,000 are pledged as collateral.	\$ 4,278
Industrial Revenue Bond, Housing Phase I, interest at 9-3/4%; payable in equal monthly installments of \$38,000 including interest, through September 2006. The Phase I complex with a net book value of \$3,353,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance. The loan is guaranteed by CBN.	3,027
First Virginia Bank, Housing Phase II, interest at 7-1/4%; payable in equal monthly installments of \$42,000 including interest, through September 2006. The Phase II complex with a net book value of \$4,092,000 is pledged as collateral. The University is to maintain a compensating bank balance with the lender of at least 5% of the average outstanding loan balance. The loan is guaranteed by CBN.	3,664
	\$ 10,969

Principal payments due are as follows (in thousands):

	Real estate		
	Library	IRB	Phase II
1997	\$ 867	167	249
1998	867	185	268
1999	867	203	288
2000	867	224	309
2001	810	247	332
Thereafter	—	2,001	2,218
	\$ 4,278	3,027	3,664

During the fiscal year ended June 30, 1996 the interest cost incurred related to mortgages payable was \$1,066,000.

REGENT UNIVERSITY

Notes to Financial Statements

(7) Leases

The University is obligated under various capital equipment leases that expire at various dates during the next three years. The assets capitalized under these agreements have a cost of \$2,845,000 and related accumulated amortization of \$759,000 at June 30, 1996. Amortization for the year ended June 30, 1996 was \$304,000. During the fiscal year ended June 30, 1996, the interest cost related to capital leases was \$133,000.

Additionally, the University also leases certain office equipment under various noncancelable operating lease agreements that expire over the next four years.

Future minimum lease payments under noncancelable operating leases and future minimum capital lease payments are as follows (in thousands):

	Capital leases	Operating leases
Year ending June 30.:		
1997	\$ 586	82
1998	532	46
1999	212	17
2000	—	7
Total minimum lease payments	1,330	\$ 152
Less amount representing interest	117	
	\$ 1,213	

Total rental expense for fiscal year 1996 was \$99,000.

(8) Line of Credit Facility

The University secured a \$15,000,000 line of credit facility on April 1, 1994 that expires on January 1, 1997. The managed investment portfolio of \$122,461,000 has been pledged as collateral. The University pays a quarterly commitment fee of 1/8 of 1% per annum on the unused portion of the credit facility and the Federal Funds or LIBOR rate plus 1/2% on the used portion. The outstanding balance under this line was \$12,052,000 as of June 30, 1996. The outstanding balance at June 30, 1996 is due at expiration of the line of credit agreement. During the fiscal year ended June 30, 1996, the interest cost related to the line of credit facility was \$621,000.

(9) Pension Plan

The University provides retirement benefits through a defined contribution plan adopted pursuant to Section 403(b) of the Internal Revenue Code. Regular full-time employees are eligible to participate in the plan after two years of employment. The plan allows employees and the University to make contributions. The University's total contributions, at a rate of 5% of eligible employees' base salaries, were \$307,000 for the year ended June 30, 1996.

(Continued)

REGENT UNIVERSITY

Notes to Financial Statements

(10) Litigation, Claims and Assessments Pending

In July 1994, a former employee of the University filed an action in the Circuit Court of Virginia Beach alleging breach of contract, defamation, civil conspiracy and tortious interference with contract. The outcome of this litigation is not currently predictable; however, the University intends to vigorously defend against these allegations.

In addition, the University is from time to time subject to litigation and other matters arising from the normal course of operations. Management does not believe that the results of the above litigation and other pending legal proceedings will have a materially adverse effect on the University's financial condition.

(11) Financial Instruments - Concentrations of Credit Risk

At June 30, 1996, the University had certain concentrations of credit risk in the form of cash and investments which amounted to approximately \$122,461,000. In addition, the University holds an investment in common stock in one domestic company with a fair market value of \$77,965,000 at June 30, 1996. If the investment managers failed to completely perform under the terms of the financial instruments, the exposure for credit loss would be the amount of the financial instruments less amounts covered by regulatory and private insurance.

(12) Temporarily Restricted Net Assets

The amounts included as temporarily restricted net assets at June 30, 1996 consist of the following (in thousands):

Scholarships	\$ 3,380
Annuity funds	54
Other	172
	<hr/>
	\$ 3,606

(13) Permanently Restricted Net Assets

The amount included as permanently restricted net assets at June 30, 1996 is to be held in perpetuity and the related income is to be used as follows (in thousands):

General operations	\$ 95,170
Scholarships	2,661
Loan funds	179
Other	726
	<hr/>
	\$ 98,736

REGENT UNIVERSITY

Notes to Financial Statements

(14) Net Assets Released

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors. Total net assets released were \$2,506,000 for the year ended June 30, 1996.

KPMG

The Global Leader

REGENT UNIVERSITY

Financial Statements

June 30, 1996

(With Independent Auditors' Report Thereon)

REGENT UNIVERSITY

Combining Statements of Financial Position

June 30, 1997 and 1996

(dollars in thousands)

	1997			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Assets:				
Current assets:				
Cash and cash equivalents	\$ 103	171	37	311
Accounts and loans receivable, less allowance for uncollectible accounts of \$89	206	-	-	206
Pledges receivable	-	30	354	384
Accrued investment income	555	18	-	573
Inventories	240	-	-	240
Prepaid expenses and other assets	223	-	-	223
Total current assets	1,327	219	391	1,937
Pledges receivable	-	-	267	267
Investments	183,644	5,063	99,109	287,816
Property, plant and equipment, net	40,632	-	-	40,632
Total assets	\$ 225,603	5,282	99,767	330,652
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued expenses	2,532	96	-	2,628
Current portion of mortgages payable	1,318	-	-	1,318
Current portion of capital lease obligations	504	-	-	504
Line of credit facility	12,052	-	-	12,052
Total current liabilities	16,406	96	-	16,502
Mortgages payable	8,370	-	-	8,370
Capital lease obligations	201	-	-	201
Total liabilities	24,977	96	-	25,073
Net assets:				
Unrestricted	200,626	-	-	200,626
Temporarily restricted	-	5,186	-	5,186
Permanently restricted	-	-	99,767	99,767
Total net assets	200,626	5,186	99,767	305,579
Commitments, contingencies and subsequent event				
Total liabilities and net assets	\$ 225,603	5,282	99,767	330,652

(Continued)

REGENT UNIVERSITY

Combining Statements of Financial Position, Continued

(dollars in thousands)

	1996			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 584	165	35	784
Accounts and loans receivable, less allowance for uncollectible accounts of \$60	247	-	-	247
Accrued investment income	633	21	-	654
Inventories	279	-	-	279
Prepaid expenses and other assets	278	-	-	278
Total current assets	2,021	186	35	2,242
Investments	99,226	3,512	98,701	201,439
Property, plant and equipment, net	42,153	-	-	42,153
Total assets	\$ 143,400	3,698	98,736	245,834
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued expenses	2,191	92	-	2,283
Current portion of mortgages payable	1,283	-	-	1,283
Current portion of capital lease obligations	511	-	-	511
Line of credit facility	12,052	-	-	12,052
Total current liabilities	16,037	92	-	16,129
Mortgages payable	9,686	-	-	9,686
Capital lease obligations	702	-	-	702
Total liabilities	26,425	92	-	26,517
Net assets:				
Unrestricted	116,975	-	-	116,975
Temporarily restricted	-	3,606	-	3,606
Permanently restricted	-	-	98,736	98,736
Total net assets	116,975	3,606	98,736	219,317
Commitments, contingencies and subsequent event				
Total liabilities and net assets	\$ 143,400	3,698	98,736	245,834

limited to, fire alarm control panel, fire graphic annunciator panel, and interconnections to all devices or equipment, including but not limited to, such items as elevator recall, sprinkler flow and tamper switches, emergency generator, fire pump, and monitoring devices.

- Include required smoke detectors, duct detectors, heat detectors, pull stations, strobe lights, audible devices, and other devices. Fire alarm system shall comply with Americans with Disabilities Act.

9. Telecommunications:

- Two (2) 4" conduits from service entrance to main telephone closet. Closet shall be large enough to accommodate fiber optics backbone system.
- Backboards as required.

10. Emergency Generator: For fire pump, life safety, and elevator.

**PROJECT NARRATIVE:
 REGENT UNIVERSITY
 COLLEGE OF COMMUNICATION
 AND THE ARTS BUILDING**

The College of Communication and the Arts is a facility for Regent University that will house all functional areas required of the College as well as the student union, computer services, a bookstore, and multi-use offices. The facility is approximately 125,000 sq. ft. and its key elements are an 800-seat theater; 150-seat experimental theater; cinema-television production studio; film sound stage; miscellaneous technical studios; teaching labs, as well as the theater support spaces which are attendant to an 800-seat legitimate theater.

The building will assume a prominent place along a new entrance boulevard that will reorient Regent University from its present, somewhat confusing, shared entrance with CBN's Corporate Headquarters and will be a dominant element in the new Regent University mall which will center visually and functionally on its very significant library.

The architecture will be consistent with the Georgian style which dominates the entire campus but will be distinctive in expressing itself as a state-of-the-art complex. Parking for approximately 600 vehicles will be organized behind the building and will provide covered access to secondary entrances leading to the major assembly of the building.

The film and television studio, sound stage, dance and practice studios and the set design and "back stage" areas will be placed in a "back lot" area connected to the stately building housing the theater teaching areas and faculty areas and will be used as stage sets to indoor and outdoor filming of various kinds which is an important part of the educational experience at this state-of-the-art institution. Character sketches of the theater and the exterior of the building as well as schematic floor plans have been included to express the major features of this fine graduate teaching complex.

3. Ductwork:

- In accordance with SMACNA, latest edition.
- No greater than five-to-one aspect ratio for any duct.
- Minimum 4" static construction for ductwork from air handling equipment to VAV terminals. Size ducts in accordance with SMACNA requirements when within 50 feet of all air handling equipment.
- 2" static construction for ductwork beyond VAV terminals.
- Return and exhaust ductwork 2" construction. Size ducts in accordance with SMACNA requirements when within 50 feet of all fans. Vibration isolation curbs or dunnage for all roof mounted equipment.
- Dampers, plenum boxes, return air transfer ducts, outside air grilles, fire dampers, and smoke duct detectors as required.
- Sound attenuated Z offset return air transfer ducts at core/lobby/demised premises walls.

4. Insulation:

- Line all supply duct with 1" acoustical liner except first 25 feet shall be lined with 2" liner.
- All return duct shall be lined with 1" acoustical liner.

5. Rooftop Unit:

- Packaged rooftop unit with gas heat, economizer cooling, and variable frequency drive for air modulation.
- Spring isolators on the roof curb.

6. VAV Terminals:

- Fan powered parallel type with electric heating coil.
- NC 40 criteria.
- Minimum one fan powered VAV per column bay for perimeter zones (considered to be within 12 feet of perimeter wall). See plan layouts for interior zones. Total quantity of VAV terminals shall be no less than 1 per 900 rentable square feet.

7. Diffusers/Return Air Grilles:

- Included in typical floor lobbies and core areas only.
- Quantity and type (multi-directional airflow) as required for proper air distribution.
- Flex duct shall not be greater than 8 feet in length and no stovepipe extensions from branch duct are allowed.

8. DDC Automatic Temperature Control/Building Energy Management System:

- Thermostat with control wiring at each VAV terminal.
- Provide color monitor and printer.
- DDC control and status of VAV terminals.

- DDC control and status of all equipment.
- Distributed intelligence for "plug-in" readout of any system point.
- Central man-machine interface.
- Certified air and water balance.

ELECTRICAL

1. Design Criteria:
 - Service capacity: As required by HVAC and electrical loads as detailed in this outline specification with 25% spare capacity.
 - In accordance with NEC and local codes.
2. Utility service into building from exterior pad mounted service transformer via concrete encased ductbank as required by Virginia Power.
3. Switchboard:
 - 480/277V, 4 wire, 3 phase, circuit breaker type main switchboard with distribution sections.
 - Switchboard to have aluminum bus.
4. Wiring and Raceways:
 - All copper wiring.
 - EMT raceways. Raceways in slabs may be Schedule 40 PVC.
 - Armored cable with ground wire allowed for normal branch circuits as allowed by NEC.
5. Distribution:
 - Conduit and wire risers.
 - Typical floor electrical closets:
 - Twelve (10) watts per square foot available in closet for lighting, normal power, and office technology use.
 - One (1) per 15,000 square feet, or portion thereof.
 - 480/277V lighting panel(s).
 - 120/208V receptacle panel(s).
 - K-1 rated isolation transformer for receptacle loads in closet.
 - Mechanical system loads, including VAVs, separated from office technology loads.
6. Lighting for general illumination shall be generally fluorescent 2' x 4' parabolic troffers in finished areas and 2'x4' in non-finished areas. Wall-pack HIDs shall be provided on exterior wall to illuminate immediate areas around the building.
7. Emergency lighting circuits for emergency and exit lights as required in corridors and large common areas and entrances.
8. Fire Alarm System:

PLUMBING

1. Piping:
 - Below grade sanitary and storm: Hub type cast iron with neoprene gasket joints.
 - Above grade sanitary and storm: PVC with no-hub couplings.
 - Domestic water: Type L copper tube.
 - Insulation: Fiberglass insulation with vapor jacket or elastomeric insulation on all domestic water piping; fiberglass insulation with vapor barrier jacket on all storm drainage piping and roof drain sumps.
 - Natural gas: Steel pipe and fittings with threaded or welded joints.
2. Fixtures:
 - Comply with Americans with Disabilities Act.
 - Floor outlet water closets and wall hung urinals with chrome flush valves.
 - Self-rimming oval lavatories with two lever chrome faucets and fixed drain strainers.
 - Dual-level (Hi/Lo) electric water coolers.
3. Equipment:
 - Electric water heaters, 50 gallons storage capacity on every other floor. 140 degrees F domestic hot water to catering kitchen, 110 degrees F domestic hot water to toilet rooms through "high/low" water temperature-mixing valve.
 - In-line circulating pumps for 140 degrees F and 110 degrees F domestic hot water circulation, 1/4 horsepower each.
 - Duplex domestic water booster pumps with pressure maintenance tank.
4. Drains:
 - Cast iron floor drains with trap primers in toilet and fire pump rooms.
 - Cast iron roof drains with large diameter domes on main roof.
 - Cast iron roof drains with flat strainers below raised paving system on roof terrace.
5. Wet stack for future improvements with valves and connections to domestic water supply, waste, and vent lines on each floor.

FIRE PROTECTION

1. Design:
 - Complete standpipe and sprinkler protection in accordance with NFPA and local authority for light hazard and ordinary hazard occupancies, including fire service, fire pump, pressure maintenance pump, automatic sprinklers, fire standpipe supply and drain risers, and sprinkler flow and tamper devices interconnected to the building fire alarm system.
 - Shop drawings and hydraulic calculations by sprinkler contractor.

2. Pipe and Fittings:
 - Underground: Ductile iron pipe and fittings conforming to AWWA standards.
 - Interior: Steel pipe and fittings conforming to NFPA 13 and NFPA 14.
3. Sprinkler Heads:
 - Main lobby, elevator lobbies, auditorium, and solarium: Concealed with white coverplates located in nominal center of tile.
 - Office and service areas: Recessed, chrome-plated sprinklers located in nominal center of tile.
4. Provide fire hose valves within each exit stair.
5. Provide external fire department inlet and fire pump test connections.

HVAC

1. System Performance:
 - Outdoor conditions: Per ASHRAE guidelines 90 and 62 (2-1/2% outdoor criteria).
 - Indoor conditions:
 - Winter: 72 degrees DB
 - Summer: 75 degrees DB
 - Provide humidification per floor
 - Internal heat gain based:
 - 1 person per 150 square feet
 - Lighting load at 2 watts per square foot
 - Equipment load of 8 watts per square foot. Cooling load based on 25% diversity factor.
 - NC 40 in all office spaces. Provide sound attenuators, sound lining, and reduced air velocity as required.
 - Ventilation minimum: 20 cfm per person for office areas. 50 cfm per person for conference areas.
 - Separate, ducted exhaust systems for conference rooms (offset and sound attenuated), toilet rooms, kitchens, and telephone and electrical rooms.
 - Air or water side economizer.
 - Variable speed drives on all VAV fan motors.
 - Filtering: Minimum 35% efficiency, based on ASHRAE Standard 52 for all supply air systems.
 - HVAC systems shall include all energy conservation or energy cost reduction features.
2. Piping and Valves:
 - Hydronic piping: Schedule 40 black steel or Type K copper.
 - Fittings, welded, screwed, or mechanical coupling (steel) or soldered (copper).

- Structural reinforcement and framing required for building systems such as HVAC equipment, including but not limited to roof top units and screening. Provide steel angle framing for mechanical openings and floor penetrations.
- Steel angle supports for ceiling mounted projectors in all classrooms.

ROOFING AND WATERPROOFING

1. Roof:

- Fully ballasted EDPM with 60-mil thick membrane on rigid Styrofoam board. Positive slope to drain.
- Maximum U factor: 0.05 BTU/hr/sf/F.
- Minimum 10 year manufacturer's warranty.
- Structural reinforcement to support HVAC gear/components and Tenant specialty items, including but not limited to, satellite dish(es) and antennae(s).
- Pitch pockets and other weathertight flashing for all roof penetrations.
- Weathertight access hatch and ladder.
- Rain leaders as required with debris guards.

2. Waterproofing:

- Bituminous dampproofing and waterproofing on below grade foundation walls around elevator and sump pits, as recommended by the geotechnical engineering reports.

EXTERIOR WALL

1. Performance:

- Maximum thermal transmission U-value shall not exceed 0.33.
- Maximum building OTTV: Per BOCA Energy Code requirements.
- All exterior walls shall be provided with vapor protection.

2. Wall assembly:

- Brick on Brick wall construction at freestanding applications (terrace wall). Typical wall construction to be brick veneer with metal stud back-up composite wall assembly. Support brick on shelf angles on upper floors as required by design. Punched windows configured in the Georgian architectural style compatible with Old Town Alexandria with precast lintels and sills. EFIS or brick surrounds at first floor windows (see detail drawing) with precast keystone and special shape brick. Provide fiberglass cornices at second, fifth and roof elevations. Steel angle or beam lintels as required. Plastic flashing above all openings. Masonry anchors and joint reinforcement as required.
- Batt, rigid and saffing insulation's with R-values as required by ASHRAE 90.1-1989.

PARKING

- Parking spaces provided on adjacent structure.

FOUNDATIONS / STRUCTURE

1. Foundation System:

- Per Geotechnical report by ECS, Ltd., dated October 19, 1988 and subsequent review on October 1997.
- Existing site if covered by fill materials. All fill and debris shall be excavated to minimum five feet (5') below Ground Level. Depth excavated shall follow the elevation contour of the Ground Level.
- Perimeter foundation and underground drainage system shall follow Geotechnical recommendations.
- Cantilevered grade beams shall be used to support building columns located along existing building to the east or lower footing to level of existing building.

2. Structure:

- Minimum 4" reinforced slab on grade over vapor barrier with 6" gravel subbase.
- Polyethylene vapor barrier below slab and rigid insulation at below grade perimeter to achieve minimum R-value of 9.0.
- Structural steel columns, beams and bar joist with metal decks for roof and floor framing consisting of 4" nominal thickness, poured-in-place composite concrete slabs.
- Slab-to-slab height adequate to allow at a minimum nine foot (9') clear ceiling height A.F.F. on all floors unless otherwise noted. The first and second floors have a higher ceiling design based on the final building design. Slab-to-slab heights shall be 15'-0" @ 1st & 2nd floors to accommodate Auditorium and Lecture Hall; 13'-0" @ 3rd & 4th floors and 15'-0" @ 5th floor to accommodate Solarium. Structural system shall accommodate a ceiling plenum sufficient to for all ducting, plumbing, lighting, and fire controls, cabling and electrical wiring with minimal beam penetrations. The desired minimum ceiling height for first floor office areas and special purpose areas to be 11'-0" clear.
- Structural bay typically 30'x30' except in designated areas. These areas are defined as the Auditorium on the first floor and the Lecture Hall on the second floor, where clear spans with no vertical obstruction are required.
- 4000 psi concrete (28 day strength). Floor slabs (on grade and elevated) to be trowel finished to a smooth and dense top surface finish, except in areas where non-slip finish is required. Floor flatness and levelness shall meet or exceed the highest ACI specifications for the appropriate classification of concrete slabs (i.e., office).
- Office Area loading capacity: 80 psf live load + 20 psf dead = 100 psf total.

- Provide double 3'-0" x 8'-0" flush design 1½" inches thick, properly anchored and reinforced for the finished hardware, exterior doors seamless steel construction.
- Exterior doors SDI-100, Grade III, extra heavy-duty, model 2, minimum 16 gauge faces.
- All doors will be primed with rust-inhibitive baked on enamel, suitable as a base for specified finished paint.
- U.L. Labels: Provide U.L. label doors where required for fire rating.

6. Wood Doors:

- Six-foot eight-inch (6'-8") Solid core stain grade birch veneer wood doors with hollow metal frames (KD frames typical, welded frames for 2 hour B label door assemblies) for all core doors. Mortise hardware and locksets as required by code and Tenant.
- Six-foot eight-inch (6'-8") Solid core stain grade birch veneer wood doors with hollow metal frames at first floor locations.

7. Hardware for all doors as required:

- All hardware to be _ style and compliant with ADA.
- Locking devices and closers to be furnished and installed for all exits, stairwell, electric/telephone rooms, restroom doors. (Locksets will be a Schlage "L" series or approved equal).
- Provide magnetic hold opens where required by code.
- Heavy duty mortise hardware and locksets will be required on all entrance doors to tenant spaces and as by code. (Locksets will be a Schlage "L" series or approved equal).

INTERIOR FINISHES

1. Main Lobby (All finishes shall be a higher grade than the upper floor lobbies and the final finishes shall be to the extent the budget for the main lobby will allow).

- 1st floor office area finished ceiling height to be a minimum eleven feet (11') A.F.F.
- Upgraded flooring, Marble border and base around perimeter of lobby. Marble tile inset for remainder of lobby areas. Carpet with pad may be installed as insets for soft seating areas. Assume \$27 per square yard.
- Specialty finish (drywall, reveals, wall covering) walls and base.
- Specialty lighting (wall washing, pendants, sconces, indirect, cove, etc.).
- Vaulted Gypsum board ceiling dropped soffit with 2x4 ACT acoustical tile infill panels and cove lighting.
- Six-foot eight-inch (6'-8") Solid core stain grade birch veneer wood doors with hollow metal frames (KD frames typical, welded frames for 2 hour B label door assemblies) for all core doors. Mortise hardware and locksets as required by code and Tenant.

- Interior side of exterior wall assembly (sills, column enclosures) shall be drywalled, taped spackled and readied for painting to 6" above ceiling line.

3. Glass and Glazing:

- Window types consist of the following: (EFCO commercial series)
 - Heavy Commercial Projected Fixed windows
3'-4" x 8'-0" with palladium transom at first floor.
 - Heavy Commercial Single Hung tilt sash windows
3'-4" x 7'-0" at second floor.
3'-4" x 6'-0" at third and fourth floors.
 - Heavy Commercial Projected Casement windows
3'-0" x 4'-6" at fifth floor Dining/Conference room and Solarium areas. Forty-two (42") sill height.
 - Storefront system
4'-0" x 8'-0" extruded Aluminum and glass system with thermal break on 8" curb at fifth floor Solarium. Provide 3'-0" x 7'-0" aluminum and glass entry door. Insulated tempered glass panels as required by code.
- Typical thirty inch (30") sill height.
- Horizontal and vertical muntins (see elevations for pattern).
- 1" thick insulated glass with 1/2" air gap and thermally broken mullion system.
- 2" custom aluminum trim package with special shapes (Trim-All replacement window series).
- Kynar 500 or equal factory finish on exposed aluminum mullions, sills, etc.
- Performance:
 - Maximum glass thermal transmission U-value: 0.30 BTU/hr/sf/F.
 - Maximum Shading Coefficient: 0.44
 - Visible light transmittance: 60% minimum.
 - Glass and glass assembly must meet Tenants requirements with respect to radio frequency interference (EMI) reception, transmission and deflection.

4. Double aluminum and glass storefront entry door 3'-0" x 8'-4" with transom and threshold at main entrance. Kynar 500 factory finishes matching mullion system. Insulated tempered glass panels.

5. Steel doors:

- Provide and install 3'-0" x 8'-0" and 6'-0" x 8'-0" hollow metal door frames
- (16 gauge for exterior doors and 18 gauge for interior doors), properly anchored and reinforced for the finished hardware. The glass main entry door will be commiserate with the window system installed.
- Provide 3'-0" x 7'-0" flush design 1 1/4" inches thick, properly anchored and reinforced for the finished hardware, exterior doors with one foot (1') transom seamless steel construction.

- Floor drains with backflow check valves and overflow curbs in mechanical room.
6. Janitor Closet:
- Ceramic tile flooring.
 - Five-foot (5') high ceramic tile on all "wet" walls.
 - Utility sink/basin – precast terrazzo with a minimum 6" curb height located on first floor.
 - Exposed to structure.
7. Stairwells:
- CMU walls to be finished painted with 4" vinyl base.
 - Sealed concrete floor.
 - Safety tread floor covering on landing and stair treads (Roppe or equal).
 - Painted handrail.
 - Fluorescent emergency lighting.
8. Typical tenant Areas (unless otherwise noted):
- Noise Criteria: NC 40 in all office areas.
 - All core, demising, exterior walls and columns shall be drywalled and finished with one (1) coat of white primer.
 - Carpet floor covering shall be commercial broadloom, direct glue down. Assume \$18 per square yard. Vinyl cove base.
 - 2x4 Donn Fine line grid with ¾ inch tegular ACT lay-in acoustical tile ceilings for all tiled areas. Lighting- fluorescent and/or incandescent downlights with reflectors and trim.
 - Six-foot eight-inch (6'-8") Solid core stain grade birch veneer wood doors with hollow metal frames (KD frames typical, welded frames for 2 hour B label door assemblies) for all core doors. Mortise hardware and locksets as required by code and Tenant.
 - Vinyl base.
 - All ceiling and wall assemblies to be U.L. listed.
9. Classroom Areas:
- Movable partitions – Hufcor Series 5660R Omni directional panels, STC 50, type #26, operable top and bottom seals. No pass doors, on pocket doors or worksurfaces included.
10. Lounge/Kitchen:
- Vinyl Ceramic Tile flooring.
 - Semi-gloss paint with Vinyl base.
 - Provide built-in plastic laminate counter tops
 - Provide standard base and wall cabinets in kitchen area.

2. Typical Floor Lobbies / Core Corridors:

- Carpet floor covering shall be commercial broadloom, direct glue down. Assume \$18 per square yard. Vinyl cove base.
- 2x4 Donn Fine line grid with ¾ inch tegular ACT lay-in acoustical tile ceilings for all tiled areas. Fluorescent lighting.
- Six-foot eight-inch (6'-8") Solid core birch veneer wood doors with hollow metal frames (KD frames typical, welded frames for 2 hour B label door assemblies) for all core doors. Mortise hardware and locksets as required by code and Tenant.
- Paint with vinyl or carpet base.
- GWB partition from slab-to-slab in elevator lobby. Partitions shall meet a minimum STC 45 rating.

3. Toilet Rooms:

- Rest rooms shall be complete and compliant with ADA requirements.
- Ceramic tile flooring.
- Five-foot (5') high ceramic tile on all "wet" walls.
- Semi-gloss paint on walls above ceramic tile and on "dry" walls.
- 2'x4' lay-in ceiling grid and acoustical tile system.
- Wall hung toilet fixtures. Self-rimming lavatories with plastic laminate counter tops with skirts and self-sealing bowls. Toilet partitions to be ceiling hung plastic laminate. Urinal partitions to be wall mounted with similar finish. All hardware to be brushed aluminum or similar finish.
- Separate HVAC zone. Under negative air pressure.
- Floor drain with backflow check valve in each toilet room.

4. Toilet Room Accessories shall consist of the following;

Men's

Unframed mirror over the vanity tops
Soap dispensers
Roll toilet tissue dispensers
Recessed paper towel and waste receptacles
Grab bars (42" and 36" long as req'd)

Women's

Unframed mirror over the vanity tops
Soap dispensers
Roll toilet tissue dispensers
Recessed paper towel and waste receptacles
Grab bars (42" and 36" long as req'd)
Recessed sanitary napkin dispenser and disposal units.

5. Mechanical / Telephone / Electrical Rooms:

- Sealed concrete floor, with VCT in telephone room
- Exposed to structure.
- Painted drywall (properly rated).

5. Recessed fire extinguisher cabinets must be furnished (complete with extinguishers), sufficient to meet code requirements.
6. Window treatments:
 - Adjustable 1" miniblinds on all exterior vision glass.
7. All utility connectors and fees charged by governmental, quasi-governmental and public utility companies.
8. Roof access hatch:
 - Provide galvanized or aluminum sheet metal roof hatch. Mounted of 12" curb with metal counter flashing. Leakage proof lids with fuseable link, locate in stair #2.
 - Provide steel ladder secured to deck and wall of stairwell.

VERTICAL TRANSPORTATION

1. Elevator:
 - Quality and design for forty-five (45) second maximum interval and 15% population handling capacity. Elevator to have center opening doors. One (1) elevator. Contract for independent study and evaluation of the proposed elevator system from a reputable elevator design engineer/consult. All aspects to be ADA code compliant.
 - Pre-engineered hydraulic 3,500 lb. Capacity, 200 FPM.
 - Elevator cab shall have nine (9') ceiling to accommodate service functions. Provide padding for heavy uses.
 - Interior finish cab allowances:
 - Pre-engineered cab with plastic laminate wall panels, carpet floors, factory ceiling and standard electrical package with provisions for security phone. (See MISCELLANEOUS ITEMS & ALLOWANCES.)
 - Doors center opening, height 8'-0" at first floor and 7'-0" at typical locations. Doors and jambs to be electrostatically painted.
 - Solid state control system. Elevator call-push buttons and lanterns.
 - Individual floor lock-off/controlled access capability.
 - Conditioned elevator machine room.

11. Auditorium:

- Provide sound proofing insulation and acoustic enhancement panels.
- Marble border with carpet inlay.
- T&G wood flooring at stage platform area.

12. Solarium:

- Marble border with carpet inlay
- Vinyl wall covering.
- One piece wood chair rail at 42" A.F.F.
- Wood base.

13. Dining / Conference Room:

- Marble border with carpet inlay
- Vinyl wall covering.
- One piece wood chair rail at 42" A.F.F.
- Wood base.
- Movable partitions – Hufcor Series 5660R Omni directional panels, STC 50, type #26, operable top and bottom seals. No pass doors, on pocket doors or worksurfaces included.

14. Terrace:

- 12x12" concrete pavers on pedestals

15. Building Service & Main Electrical Rooms:

- Painted CMU and/or drywall partitions.
- Floors: concrete with a seal coat finish
- Ceilings shall be exposed to structure.

SPECIALTIES AND EQUIPMENT

1. Loading Dock Equipment

- Provide electrical provisions for trash compactor system.

2. Kitchen Equipment

- N.I.C.

3. Toilet accessories as required.

- Provide two (2) wall mounted drinking fountains/coolers per floor with one (1) handicapped accessibility.

4. Security System:

- All points of entry controlled. The building security system to be coordinated and be compatible with Regent's security systems (See MISCELLANEOUS ITEMS & ALLOWANCES).

Base Building Shell Definition and Building Performance Specifications

The following specification:

1. Defines the "building shell condition" of the proposed building, beyond which the Tenant Improvement Allowance as defined in the RFP will be used for tenant build out purposes.
2. Delineates the minimum building performance and design criteria and construction standards required for the proposed building.
3. All construction shall at a minimum be performed and constructed in accordance with the latest building codes and applicable laws including, but not limited to, the Americans with Disabilities Act, and in accordance with the following specifications. In the event that a specification exceeds the minimum requirement by code, the higher and best use specification shall be constructed.

GENERAL

1. Codes and Standards: All work must meet or exceed all applicable codes and regulations of building, zoning, fire department and other governmental agencies having jurisdiction inclusive of but not limited to the following. **Where there are conflicts between codes and regulations, the most stringent shall be applicable.**
 - a) Current edition of the National Fire Protection Association Life Safety Code (NFPA) 101, NFPA 13, NFPA 70, NFPA 72.
 - b) 1996 BOCA Building code and supplements.
 - c) 1993 Virginia Uniform Statewide Building Code, City of Alexandria supplements.
 - d) The building and fire safety codes and appropriate supplements that apply in the state of Virginia.
 - e) For HVAC, current edition of NFPA 90A or 90B, ASHRE 62-89 (or current), ASHRE 55-81 (or current).
 - f) NEC (National Electric Code).
 - g) Applicable local, state, federal, public utility, transportation and/or environmental (e.g., Environmental Protection Agency) regulations.

- h) Latest applicable industry standards of practice such as: American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRE), SMACNA, Precast Concrete Institute, Architectural Woodwork Institute, ANSI.
 - i) "Americans with Disabilities Act of 1990" (ADA), 42 U.S.C. 12101-12213 and "Accessible and Useable Buildings and Facilities", ANSI/CABO A117.1-1998.
- 2. All building systems, including mechanical, electrical, elevator, etc. shall be complete and fully operational.
 - 3. If there are any additional items included in your proposal, please provide a written description and a proposed cost.

SITE WORK

- 1. Clearing lot. Lot shall be cleared of all debris and otherwise prepared for construction. This includes removal of existing asphalt paving which currently covers 95% of lot surface.
- 2. Fill to subgrade for building pad and landscaped areas. Consult soils report for specific conditions regarding removal and replacement of fill.
- 3. Provide storm water management and retention systems.
- 4. Water, sewer and gas services to building.
- 5. Fire Hydrants.
- 6. Install site protection system necessary to facilitate public safety during construction.
- 7. Conduit for tenant phone (see Communications section) and power service to building.
- 8. Concrete walks and paving complying with ADA handicapped requirements.
 - All unpaved areas shall be fully landscaped and irrigated to the minimum local/state requirements (see MISCELLANEOUS ITEMS & ALLOWANCES).

MISCELLANEOUS ITEMS AND ALLOWANCES

- 1. The following miscellaneous items shall be included in the base building specifications and costs and any allowances stated below represent the minimum values to be spent in that category.
 - Elevator Cab Finishes \$5,000 per cab
 - Main Entrance Lobby Directory \$3,000
 - Landscaping \$10,000
 - Site Lighting (non-parking) Provide assumed value
 - Security System \$50,000
 - Signage (Exterior) \$3,000
 - Signage (Interior) \$7,000

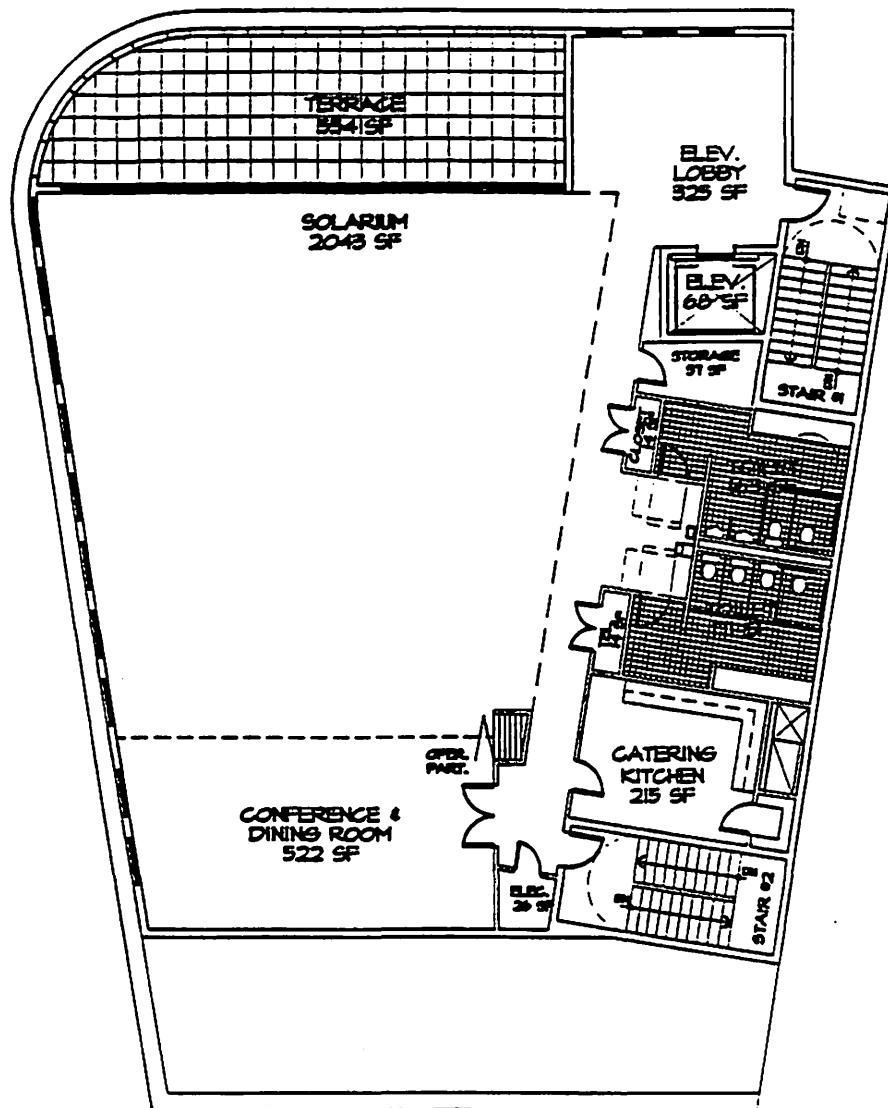


DIAGONAL ROAD ELEVATION		rust orling and neale architects
1/16"=1'-0"	3/12/99	
REGENT UNIVERSITY		

Schematic Design Pricing Package

99.002

Exhibits



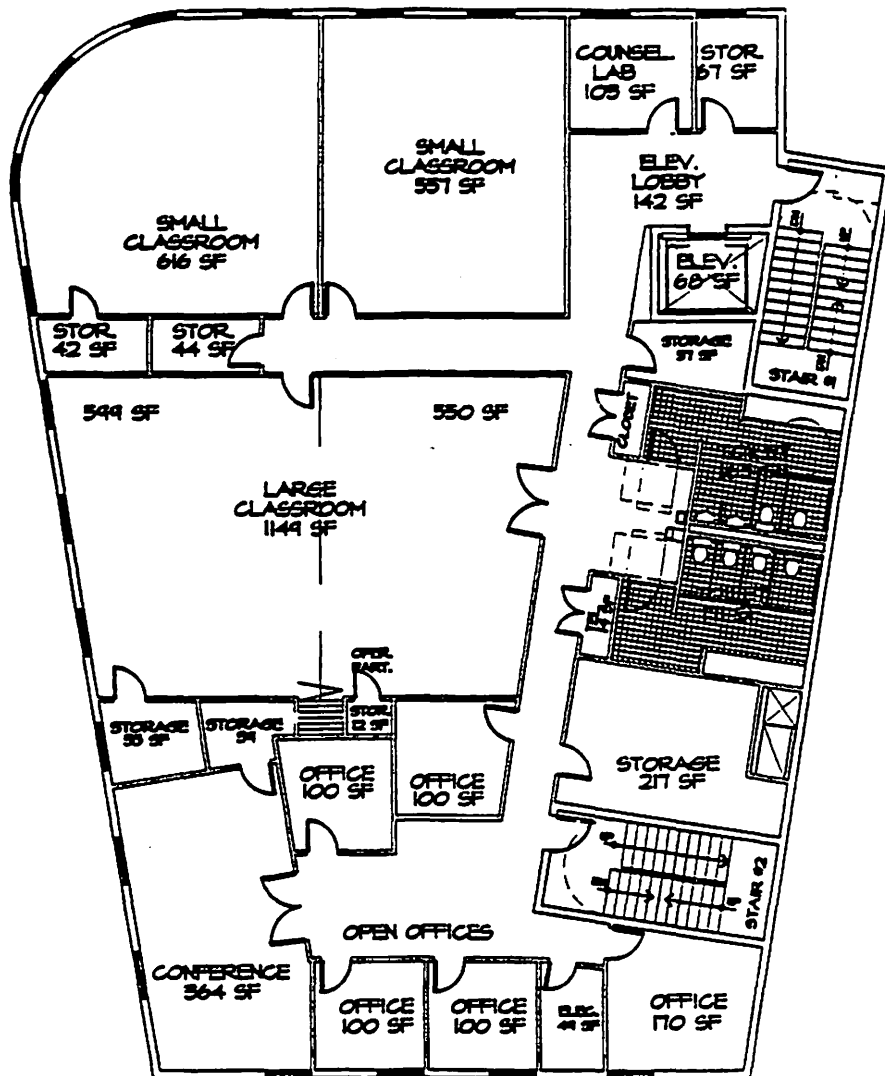
5,914 GROSS SF

FIFTH FLOOR PLAN - SCHEME B2		rust orling and neale architects
1/16"=1'-0"	3/12/99	
REGENT UNIVERSITY		



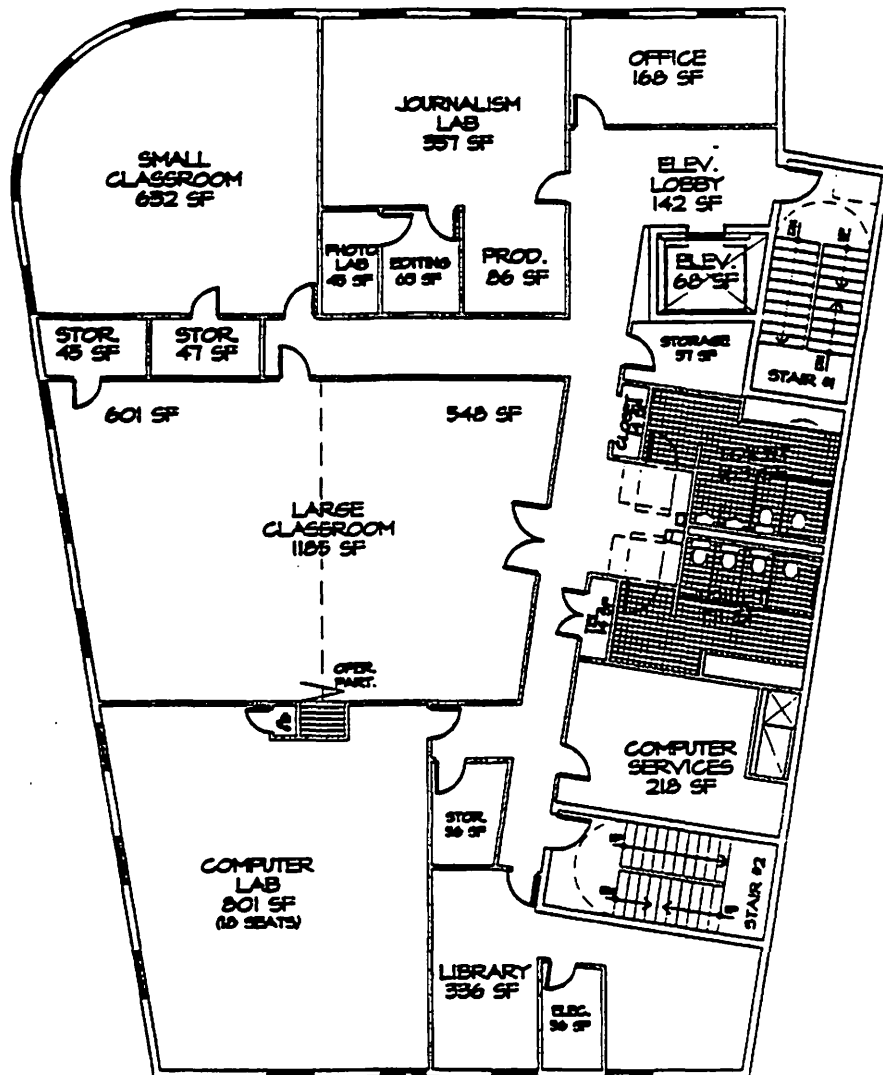
DAINGERFIELD ELEVATION	rust orling and neale architects
1/16"=1'-0"	
REGENT UNIVERSITY	

3/12/99



5,914 GROSS SF

THIRD FLOOR PLAN - SCHEME B2		rus orlin an neal architect
1/16"=1'-0"	3/12/99	
REGENT UNIVERSITY		



5,914 GROSS SF

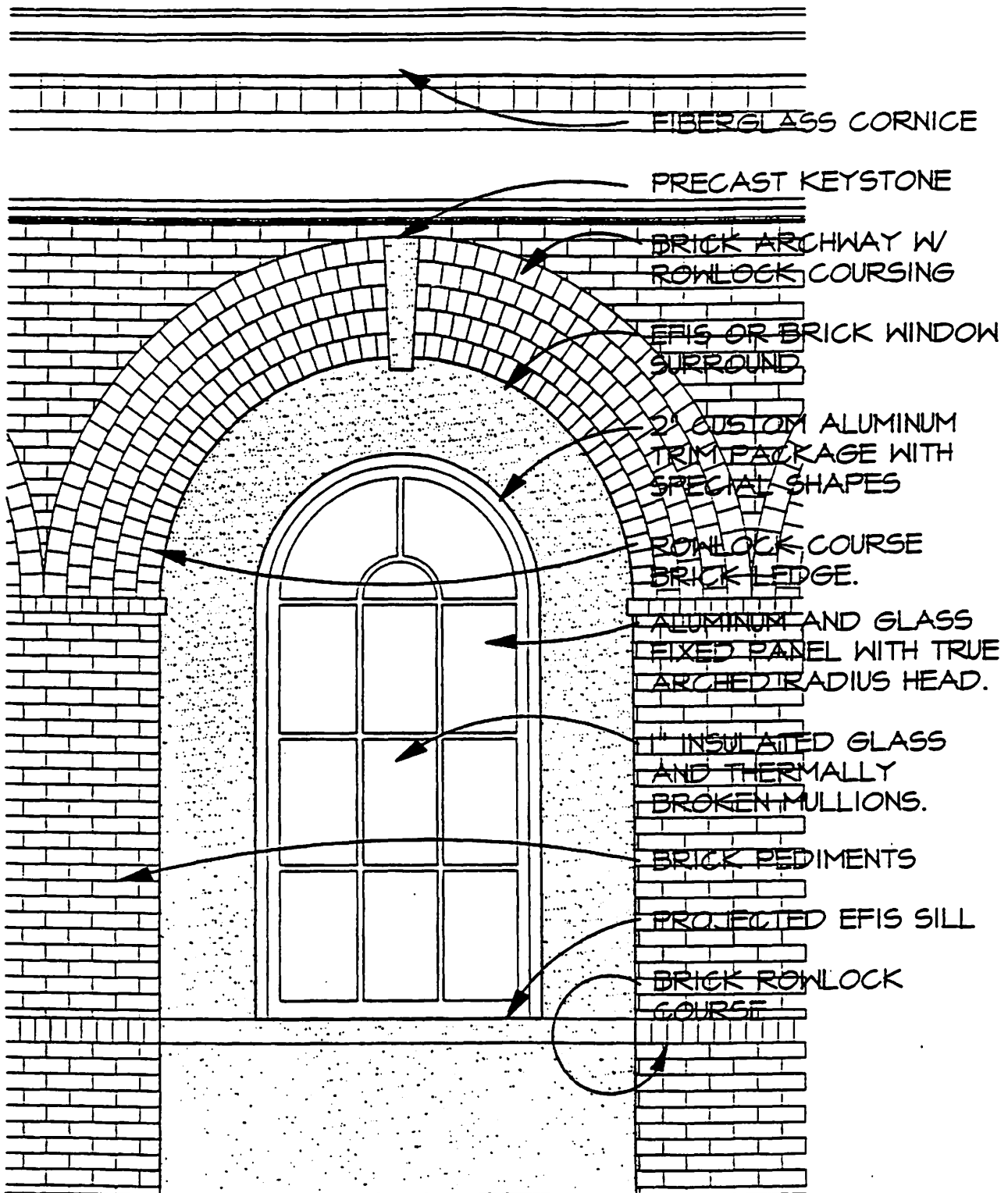
FOURTH FLOOR PLAN - SCHEME B2

1/16"=1'-0"

3/12/99

REGENT UNIVERSITY

**rust
orling
and
neale
architects**



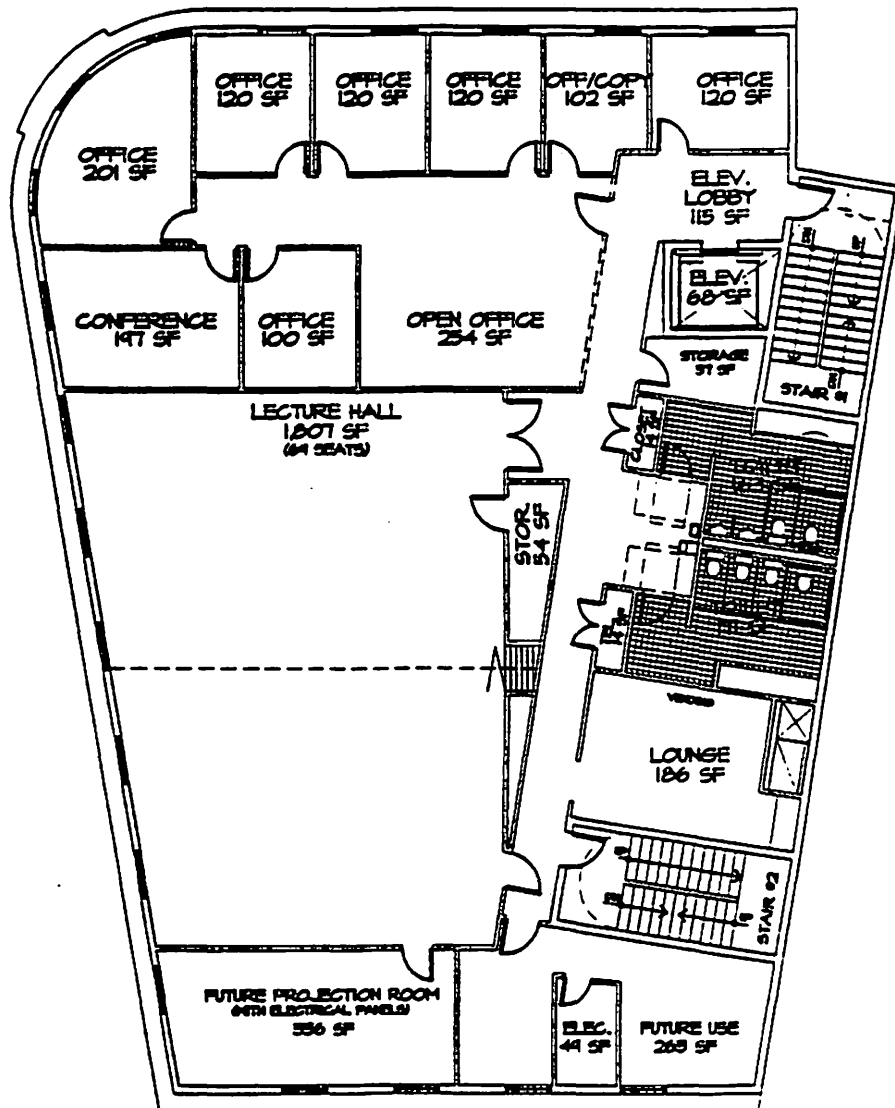
DETAIL ELEVATION 1ST. FLOOR WINDOW

1/2"=1'-0"

3/12/99

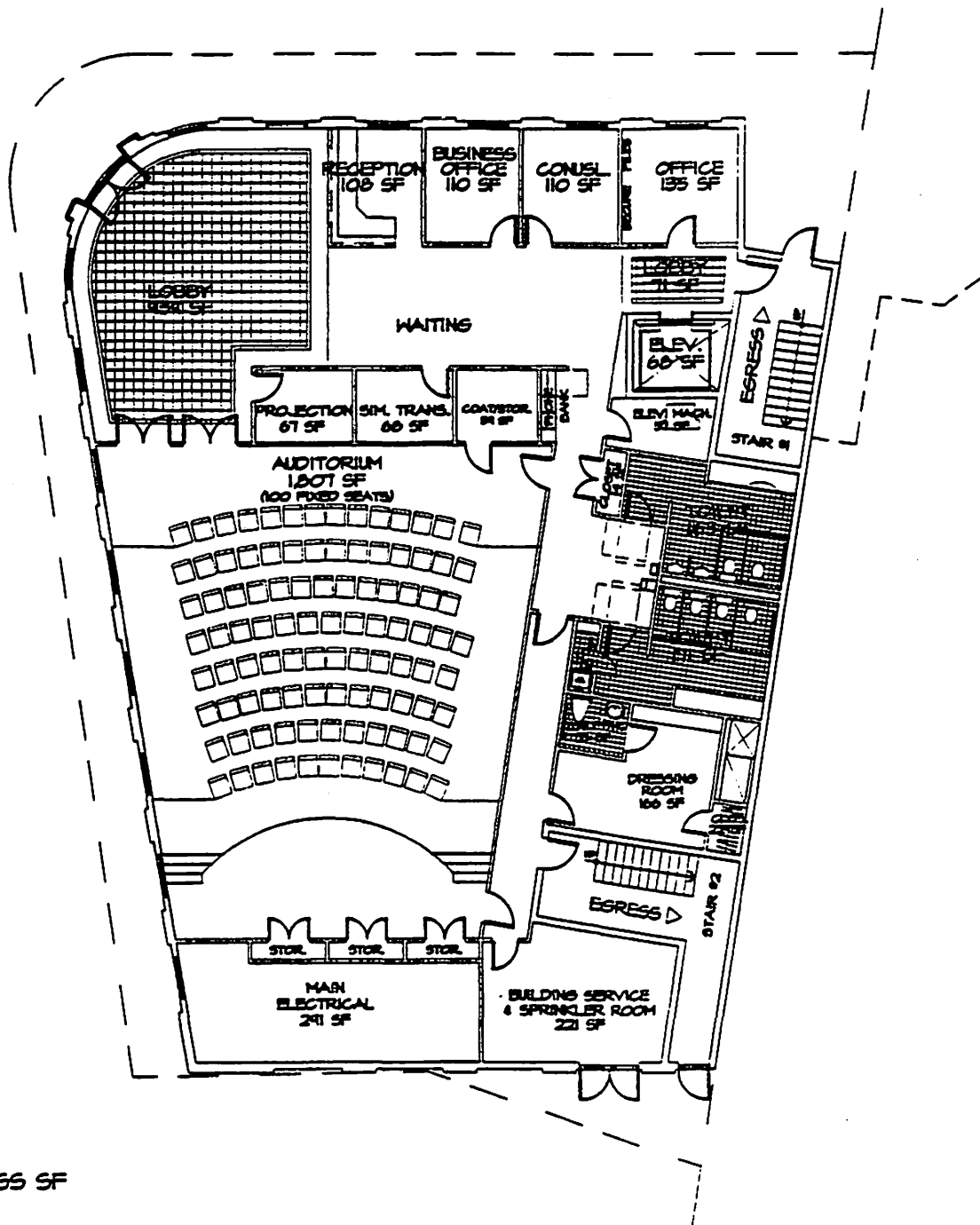
REGENT UNIVERSITY

rust
orling
and
neale
architects



5,914 GROSS SF

SECOND FLOOR PLAN - SCHEME B2		rust orling and neale architects
1/6" = 1'-0"	3/12/99	
REGENT UNIVERSITY		



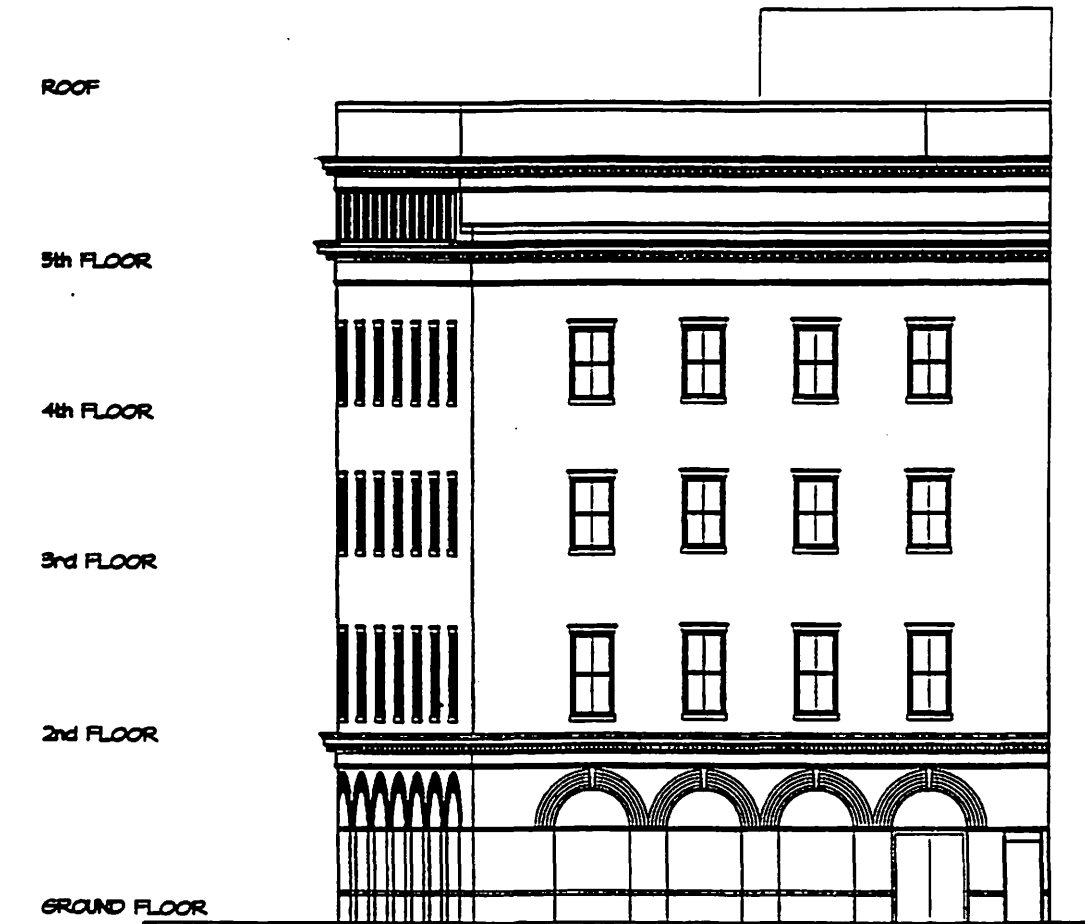
GROUND FLOOR PLAN - SCHEME B2

1/16"=1'-0"

3/12/99

REGENT UNIVERSITY

rust
orling
and
neale
architects






CHANTAL STREET ELEVATION		rust orling and neale architects
1/16"=1'-0"	3/12/99	
REGENT UNIVERSITY		

Build-to-Suit Project Schedule Regent University Alexandria, Virginia

CarrAmerica Development, Inc.

ID	Task Name	Duration	Start	Finish	Predecessors	tr 4, 199 tr 1, 199 tr 2, 199 tr 3, 199 tr 4, 199 tr 1, 200 tr 2, 200 tr 3, 200 tr 4, 200																															
						Oct	o	e	a	e	a	p	a	u	Jul	u	e	Oct	o	e	a	e	a	p	a	u	Jul	u	e	Oct	o	e					
31	Permit Set	6w	4/30/99	6/10/99	24																																
32	Structural Steel Bid Set	8w	4/30/99	6/24/99	24																																
33	Base Building CDs	16w	4/30/99	8/19/99	24																																
34	Regent approve CDs	1w	8/20/99	8/28/99	33																																
35	Architect Implement Regent changes	1w	8/27/99	9/2/99	34																																
36	Bid Base Building	2w	9/3/99	9/18/99	35																																
37	PI Construction Documents	20w	4/30/99	9/18/99																																	
38	Permit Set	6w	4/30/99	6/10/99	28																																
39	PI CDs	16w	4/30/99	8/19/99	28																																
40	Regent approve PI CDs	1w	8/20/99	8/26/99	39																																
41	Architect Implement Regent changes	1w	8/27/99	9/2/99	40																																
42	Bid Purchaser Improvements	2w	9/3/99	9/18/99	41																																
43	Base Building Final Estimate & GMAX Contract	2w	9/17/99	9/30/99																																	
44	CADI Prepare Final Estimate/Base-Building GMA	1w	9/17/99	9/23/99	38																																
45	Regent approve Base-Building GMAX	1w	9/24/99	9/30/99	44																																
46	PI Final Estimate & GMAX Contract	2w	9/17/99	9/30/99																																	
47	Prepare Final Estimate/PI GMAX	1w	9/17/99	9/23/99	42																																
48	Regent approve PI GMAX	1w	9/24/99	9/30/99	47																																
49	Building permit	16w	6/11/99	9/30/99																																	
50	Base Building Permit	16w	6/11/99	9/30/99	31																																
51	Interiors Building Permit	16w	6/11/99	9/30/99	31																																
52	Construction	57.3w	6/25/99	7/31/00																																	
53	Regent Issues Notice to Commence	0w	9/30/99	9/30/99	45																																
54	Bid Structural Steel	2w	6/25/99	7/8/99	32																																
55	Award structural steel subcontract	0.2w	7/8/99	7/8/99	54																																
56	Structural steel shop drawings, fab & delivery	16w	7/12/99	10/29/99	55																																
57	Award Subs	0w	9/30/99	9/30/99	53																																
58	Base Building construction	43.3w	10/1/99	7/31/00	6,12,50,57																																
59	Purchaser Improvements construction	12.3w	5/5/00	7/31/00	58SS+31w																																
60	Substantial Completion, Closing & Move-In	0w	7/31/00	7/31/00	59																																

Task		Milestone		Rolled Up Task		Rolled Up Progress	
Progress		Summary		Rolled Up Milestone			

Build-to-Suit Project Schedule
Regent University
Alexandria, Virginia

CarrAmerica Development, Inc.

ID	Task Name	Duration	Start	Finish	Predecessors	tr 4, 199 tr 1, 199 tr 2, 199 tr 3, 199 tr 4, 199 tr 1, 200 tr 2, 200 tr 3, 200 tr 4, 200																											
						Oct	o	e	a	e	a	p	a	u	Jul	u	e	Oct	o	e	a	e	a	p	a	u	Jul	u	e	Oct	o	e	
61	Punchlist and Project Close-out	4w	7/31/00	8/28/00	60																												

304

Task  Milestone  Rolled Up Task  Rolled Up Progress 
Progress  Summary  Rolled Up Milestone 

CarrAmerica

Regent University
King Street Exchange
Alexandria, Virginia
Schedule A

Interest	8.0%
Hard Costs	\$ 2,788,800
Soft Costs	\$ 554,359
Tenant Improvements	\$ 675,768
Commissions	\$ 312,550
Contingencies	\$ 280,000
Interest	\$ 182,978
Interest Base	<u>\$ 4,824,454</u>
Months construction	12.00
Payout lag	50%
Effective months	8.00
Rate per month	\$ 32,163
Total Interest	<u>\$ 182,978</u>

Legal		
Zoning	Wilkes Arts	\$ 12,500
Parking Easement	Holland & Knight	\$ 7,500
Parking study	Gorove/Stade	\$ 8,500
Total Legal		<u>\$ 28,500</u>

Other Costs		
Government permits	\$	40,000
Utility fees	\$	25,000
Condominium dues	\$	18,171
Parking income	\$	(18,800)
Miscellaneous	\$	20,000
Total Other Costs	<u>\$</u>	<u>84,371</u>

Testing Services		
Concrete & structural	\$ 0.35	\$ 9,798
Air and water balancing	\$ 0.23	\$ 6,437
Geotechnical		\$ 15,000
Monitor adjacent building		\$ 15,000
Total Testing Services		<u>\$ 46,233</u>

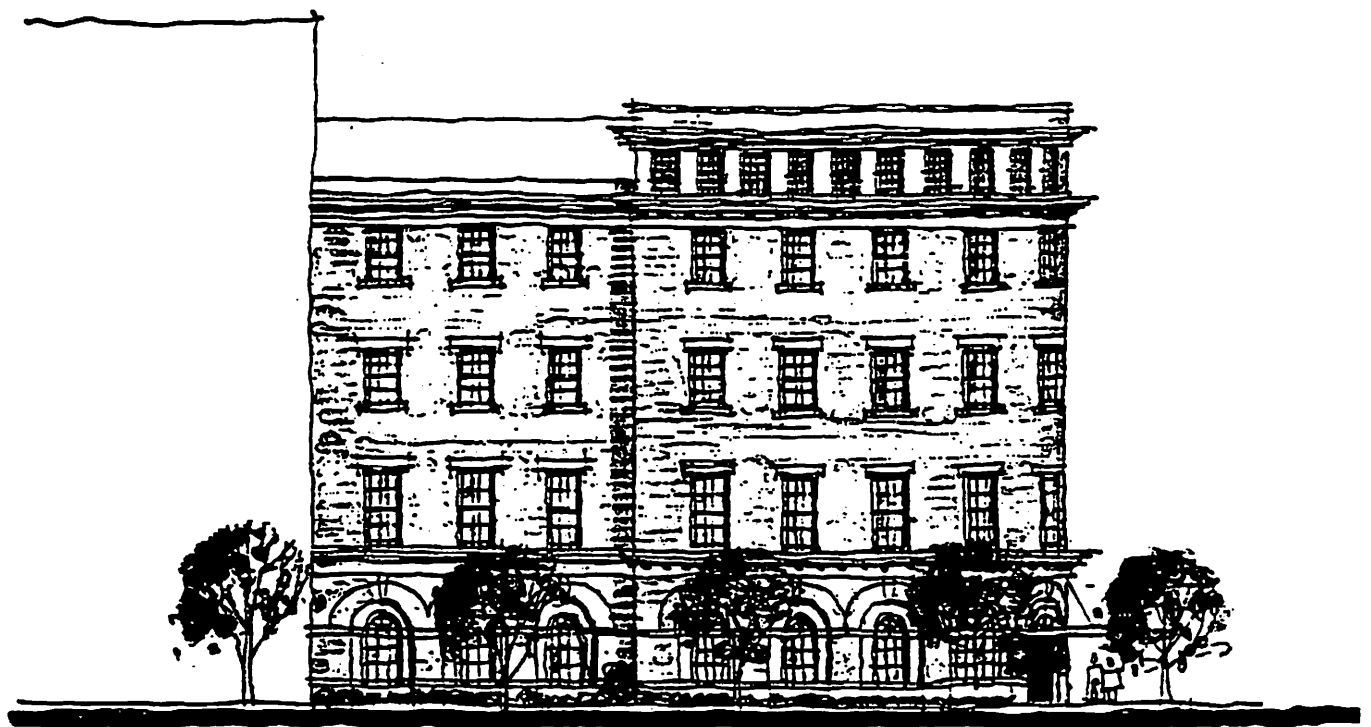
Real Estate Taxes			
Mill rate	\$ 1.11	per	\$ 100
Projected construction cost	\$ 4,500,000		
Months pre-construction	4		
Months construction	12		
Tax on land (1997 actual plus 10%)			
Months	18		
Rate per month	\$ 493		
Total tax on land	<u>\$ 7,895</u>		
Tax on construction			
Months	12.00		
Assessment lag	50%		
Effective months	8.00		
Rate per month	\$ 4,183		
Total tax on construction	<u>\$ 24,975</u>		
Total Real Estate Taxes	<u>\$ 32,870</u>		

Build-to-Suit Project Schedule Regent University Alexandria, Virginia

CarrAmerica Development, Inc.

ID	Task Name	Duration	Start	Finish	Predecessors	tr 4, 199				tr 1, 199				tr 2, 199				tr 3, 199				tr 4, 199				tr 1, 200				tr 2, 200				tr 3, 200				tr 4, 200																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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1	Purchase Contract	12.4w	10/15/98	1/8/99																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							

Task	Milestone	Rolled Up Task	Rolled Up Progress
Progress	Summary	Rolled Up Milestone	



DIAGONAL ROAD ELEVATION			rust orling and neale architects
1" = 20'	2/1/99	99.002	
REGENT UNIVERSITY			

CURRENT FORECASTED INVESTMENT

Regent University
King Street Exchange
Alexandria, Virginia

ProForma Category/Line Item	Assumptions	\$/GrossSF @ 27,988	\$/NetSF @ 23,317	Forecasted Budget
CONSTRUCTION (HARD) COSTS				
Building Cost	Core & Shell @ \$100.00/GSF	100.00	120.03	2,798,800
Parking	Project does not require construction of additional parking	0.00	0.00	-
Development & Impact Fees	None (already paid out)	0.00	0.00	-
SOFT COSTS				
Architecture/Consultants	\$285,000 fee estimate plus \$15,000 reimbursables plus \$25,000 A/V & Telcom	11.61	13.94	325,000
Civil Engineer	William H. Gordon estimate November 2, 1998	0.91	1.08	25,350
Legal	See schedule A	1.02	1.22	28,500
Title Insurance Upgrade	None assumed	0.00	0.00	-
Real Estate Taxes	See schedule A	1.17	1.41	32,870
Testing Services	See schedule A	1.85	1.98	48,233
Building Equipment/Furnishings	NIC	0.00	0.00	-
Blueprints	\$0.35/GSF	0.35	0.42	8,798
Messenger/Delivery	\$0.08/GSF	0.08	0.10	2,239
Other Costs	See schedule A	3.01	3.62	84,371
INTEREST				
Interest	See schedule A	6.90	8.28	192,978
TENANT IMPROVEMENTS				
Standard Tenant Allowance	Tenant design included in core and shell	24.14	28.98	675,768
COMMISSIONS				
Transwestern Cary Winston	3% on \$6.5 million	8.97	8.36	195,000
Commercial Real Estate	2% on \$210.00/GSF	4.20	5.04	117,550
CONTINGENCIES				
	Fixed	10.38	12.44	290,000
SUBTOTAL COSTS ACQUIRING INTEREST				
		172.99	206.91	4,824,458
Additional Post-Completion Costs				
Land	Land @ \$944,300 plus 30 parking spaces @ \$18,000	53.03	63.66	1,484,300
Overhead Capitalization	5% of building cost, tenant allowance, and A/E	8.83	8.20	191,245
FFE				1,525,000
TOTAL PROJECT COSTS				
		286.73	344.17	6,025,000

A RESOLUTION OF THE BOARD OF TRUSTEES OF
REGENT UNIVERSITY
DECLARING ITS INTENTION TO
PROCEED WITH VALIDATION OF CERTAIN BONDS AND THE
PLAN OF FINANCING

Regent University (the "University") has filed with the Virginia College Building Authority (the "Authority") an application requesting the Authority, pursuant to the Educational Facilities Authority Act (Title 23, Chapter 3.3, Code of Virginia of 1950, as amended) (the "Act"), to issue its revenue bonds in one or more series and from time to time in an aggregate principal amount not to exceed \$55,000,000 (the "Bonds"), and to lend the proceeds from the sale thereof to the University to assist the University in the acquisition, construction, financing and refinancing of the following (collectively, the "Plan of Financing"): (a) (i) refunding of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds (CBN University Facility), Series A and B, of which \$2,552,261 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Jake Sears Circle, Virginia Beach, Virginia 23464 (the "1984 Project") and (ii) refinancing of a taxable loan, of which \$2,957,152 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project; (b) financing costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1650 Diagonal Road, Alexandria, Virginia 22314, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia 23464, consisting of approximately 125,000 square feet which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and (c) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing.

The University has selected McGuire, Woods, Battle & Boothe LLP as bond counsel ("Bond Counsel").

A public hearing will be held in conformity with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

The Authority has been advised by Bond Counsel that to render its customary, unqualified opinion under current law that the Bonds are the valid obligations of the Authority, Bond Counsel will require that the Bonds be validated pursuant to the Public Finance Act of 1991, Section 15.2-2600 et seq. of the Code of Virginia of 1950, as amended (the "Validation"). In connection with the Validation it is anticipated that (i) various documents and instruments (the "Documents" will be prepared and filed pursuant to certain proceedings before the Circuit Court of the City of Richmond, Virginia and will be prepared in connection with issuance of the Bonds and (ii) various public notices (the "Notices") will have to be given with respect to the Validation and the issuance of the Bonds.

NOW, THEREFORE, IT IS RESOLVED BY THE BOARD AS FOLLOWS:

1. The Board approves the issuance of the Bonds pursuant to the Plan of Financing and the Validation in connection therewith.
2. The Board ratifies and confirms the decision of the University to issue the Bonds through the Authority, or such other issuer as the President of the University may approve, and the conduct of the Validation by such issuer.
3. The Board authorizes the President, the Vice President for Operations and Finance and such members of the University's administration as either of them may appoint to execute and deliver any and all certificates, instruments and documents and to take any and all such further actions as they may consider necessary or desirable in connection with the Plan of Financing and the issuance of the Bonds.
4. The Board ratifies and confirms as the act of the University any and all other actions of the officers of the University or members of the University's administration that are in conformity with the purpose or intent of this resolution.
5. This Resolution shall take effect immediately upon its passage.

ADOPTED the 24th day of April, 1999


Assistant Secretary, Board of Trustees of
Regent University

Richmond Times-Dispatch

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12 Tuesday, June 8, 1999

Comments:

WE APPRECIATE YOUR BUSINESS

Meeting/Contact Name
<p>NOTICE OF PUBLIC HEARING ON PROPOSED REVENUE BOND FINANCING BY VIRGINIA COLLEGE BUILDING AUTHORITY</p> <p>Notice is given that the Virginia College Building Authority (Authority) will hold a public hearing to consider issuance of \$60,000,000 in revenue bonds in an amount not to exceed \$60,000,000 (Bonds) pursuant to the Education Facilities Authority Act (Act) at the request of Regent University (University), whose address is 1000 Regent University Drive, Virginia Beach, Virginia 23464 to assist the University in the acquisition, construction, financing and replacement of the following projects: (a) the Plan of Financing; (b) the financing of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1994 Industrial Development Revenue Bonds (IDB University Facility), Series A and B, of which \$2,500,000 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Little Salt Creek, Virginia Beach, Virginia 23464 (the "1994 Project"); and (c) refinancing of a \$60,000,000 of which \$2,957,152 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project by costs incurred in connection with capital improvements, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1380 Dabney at 22nd Avenue, Virginia Beach, Virginia 23464, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communications and computer complex on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia 23464, consisting of approximately 125,000 square feet, which will house the College of Communication and Arts and various University administrative and student facilities; and an event center located on the main campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assemblies and other events; and (iii) all other costs and expenses incurred in connection with the Plan of Financing.</p> <p>As required by the Act, the Bonds will not be sold until the date of the public hearing on the Plan of Financing of the Authority and will be payable solely from revenues derived from the University and pledged therefor.</p> <p>The public hearing, which may be continued or adjourned, will be held at 2:00 p.m. on Tuesday, June 8, 1999, before the Authority, in the main conference room on the third floor of the J. Paul Martin Building at 121 North 14th Street, Richmond, Virginia 23219. Persons interested in the issuance of the Bonds of the Plan of Financing may appear and be heard. The Authority's Notice of P.O. Box 1515, Alexandria, Virginia 22304.</p> <p>Virginia College Building Authority</p>

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(864) 775-1030
RECURRING DEPOSITS BATTLE - 30
ONE JONES CENTER
901 EAST TARY STREET
RICHMOND, VA 23219
232227 M

Given by CANNILLE S. DEAN
Start 06/08/1999 Stop 06/15/1999
Examined Bill Exile
Class 25050 LEGAL (VA & MD)
Index: SEVERIN ROBERT MRC 6/1/99
Date 2 Lines 48 Times 5.28 Words 443 Hour 7

File Name	Base Charge	Adj.-Charge	Total-Charge	Inn	Start	Stop	Hour
27 BLVA	919.30	0.00	919.30	2	06/08/1999	06/15/1999	06:23:00

TOTAL AM COST

219.30

**NOTICE OF PUBLIC HEARING ON PROPOSED
REVENUE BOND FINANCING BY
VIRGINIA COLLEGE BUILDING AUTHORITY**

Notice is given that the Virginia College Building Authority ("Authority") will hold a public hearing to consider issuance of a revenue bonds in an amount not to exceed \$45,000,000 ("Bonds") pursuant to the Educational Facilities Authority Act ("Act") as amended at Regent University ("University"), whose address is 1050 Regent University Drive, Virginia Beach, Virginia, 23464 to assist the University in the acquisition, construction, financing and refinancing of the following projects (collectively, the "Plan of Financing"): (i) financing of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds ("ISD") University Series, Series A and B, which \$2,332,251 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as Regent University Village and located at Lake Smith Circle, Virginia Beach, Virginia 23464; (ii) refinancing of a revenue bond, of which \$2,927,132 is currently outstanding, issued by the University in connection with an expansion of the 1984 Project; (iii) costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus owned at 1050 Regent Road, Alexandria, Virginia 22314, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1520 Regent University Drive, Virginia Beach, Virginia 23464, consisting of approximately 15,000 square feet, which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main campus of the University, consisting of approximately 90,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and (iv) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing.

As required by the Act, the Bonds will not exceed the credit of the taxing power of the Commonwealth of Virginia of the Authority, and will be payable solely from revenues derived from the University and pledged therefor.

The public hearing, which may be continued or adjourned, will be held at 2:00 p.m. on Tuesday, June 22, 1999, before the Authority, in the main conference room on the third floor of the James Monroe Building at 601 North 14th Street, Richmond, Virginia 23219. Persons interested in the issuance of the Bonds or the Plan of Financing may appear and be heard. The Authority's address is P.O. Box 870, Richmond, Virginia 23216.

Virginia College Building Authority

June 8, 1999

0423387

Cannille Dean
804-775-1061

Correction

PH: 8047751000 00 ID 678601601 AT 86:06/07,10:04 AS 0086 FP 0086 GS + 437.20
 CUST McGuire Woods 30011 Booths ADDR One James Center TY TR D
 ADDR 901 2351 Cary Street CI Richmond, ST VA ZIP 23219 TECH
 ORDRD BY Camille S. Dean NOTES
 CLASS 1025 RATE 1.15
 ZZ SCHED CD 6/8,4,15 #657.89

SHORTBOND

CCARD

AGY#

CREDIT CODE

HNJ Y00110

BOX

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SPECIAL RATE

CASH

RECEIPT

DISCOUNTS

TYPE

KEY McGuire Woods B PO Camille S. D

CLRD 86:06/07,10:04 DELAY CODE CLRD 86:06/07,10:04

TIMES 2 START PUB CD START 06/08/79 END 06/13/79

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NOTICE OF PUBLIC HEARING ON PROPOSED

REVENUE BOND FINANCING BY

VIRGINIA COLLEGE BUILDING AUTHORITY

<#558>

Notice is given that the Virginia College Building Authority ("Authority") will hold a public hearing to consider issuance of its revenue bonds in an amount not to exceed \$55,000,000 ("Bonds") pursuant to the Educational Facilities Authority Act ("Act") at the request of Regent University ("University"), whose address is 1000 Regent University Drive, Virginia Beach, Virginia, 23464 to assist the University in the acquisition, construction, financing and refinancing of the following projects (collectively, the "Plan of Financing"): (a) (i) refunding of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds (CNA University Facility), Series A and B, of which \$2,552,261 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Jake Swans Circle, Virginia Beach, Virginia 23464 (the "1984 Project") and (ii) refinancing of a taxable loan, of which \$2,957,132 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project; (b) costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1650 Diagonal Road, Alexandria, Virginia 22314, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia 23464, consisting of approximately 125,000 square feet, which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and (c) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing.

As required by the Act, the Bonds will not pledge the credit or the taxing power of the Commonwealth of Virginia or the Authority, and will be payable solely from revenues derived from the University and pledged therefor.

The public hearing, which may be continued or adjourned, will be held at 2:00 p.m. on Tuesday, June 22, 1999, before the Authority, in the main conference room on the third floor of the James Monroe Building at 101 North 14th Street, Richmond, Virginia 23219. Persons interested in the issuance of the Bonds or the Plan of Financing may appear and be heard. The Authority's address is P.O. Box 1879, Richmond, Virginia 23219. Virginia College Building Authority
 UP June 8 and June 15, 1999

MOTION TO CONVENE IN EXECUTIVE SESSION

In accordance with the provisions of Section 2.1-344 (A) (7) of the *Code of Virginia*, I move that the Virginia College Building Authority convene in executive session for consultation with legal counsel pertaining to probable litigation.

MOTION TO RECONVENE IN OPEN SESSION

In accordance with the provisions of Section 2.1-344.1 (D) of the *Code of Virginia*, I move that the Executive Committee of the Virginia College Building Authority immediately reconvene in open session.

MOTION TO CERTIFY THE PROCEEDINGS OF THE EXECUTIVE MEETING

CERTIFICATION OF EXECUTIVE MEETING

WHEREAS, the Virginia College Building Authority has convened an executive meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, Section 2.1-344.1(D) of the *Code of Virginia* requires certification by the Committee that such executive meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Virginia College Building Authority hereby certifies that, to the best of each member's belief and knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in executive meeting to which this certification resolution applies, and (ii) only such public business matters as identified in the motion convening the executive meeting were heard, discussed or considered by the Board.

VOTE

AYES:

NAYS:

Mr. Diggs
Mr. Hartwell
Mr. Landside
Ms. Morris
Mr. Nottingham
Mr. Pattison
Mr. Rider

ABSENT DURING VOTE:

ABSENT DURING MEETING:

Ms. Powell
Mr. Allen
Mr. Robertson

Assistant Secretary
Virginia College Building Authority

RESOLUTION OF
VIRGINIA COLLEGE BUILDING AUTHORITY
RELATING TO APPROVAL OF VALIDATION
FOR REGENT UNIVERSITY

Regent University (the "University") has filed with the Virginia College Building Authority (the "Authority") an application requesting the Authority, pursuant to the Educational Facilities Authority Act (Title 23, Chapter 3.3, Code of Virginia of 1950, as amended) (the "Act") to issue its revenue bonds in one or more series and from time to time in an aggregate principal amount not to exceed \$55,000,000 (the "Bonds"), and to lend the proceeds from the sale thereof to the University to assist the University in the acquisition, construction, financing and refinancing of the following (collectively, the "Plan of Financing"): (a) (i) refunding of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds (CBN University Facility), Series A and B, of which \$2,552,261 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Jake Sears Circle, Virginia Beach, Virginia (the "1984 Project") and (ii) refinancing of a taxable loan, of which \$2,957,152 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project; (b) costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1650 Diagonal Road, Alexandria, Virginia, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia, consisting of approximately 125,000 square feet which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and (c) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing. The University has represented to the Authority that the University is a nonprofit educational institution whose primary purpose is to provide collegiate or graduate education and not to provide religious training or theological education, except with respect to the University's Divinity School, whose facilities will not be financed with proceeds of the Bonds.

The University has selected McGuire, Woods, Battle & Boothe LLP as bond counsel ("Bond Counsel").

A public hearing has been held on the date hereof in conformity with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

Regent University is a religiously affiliated private institution for higher education within the Commonwealth. Provisions in the United States Constitution and in the Virginia Constitution (the "establishment clauses") prohibit certain types of state aid to educational institutions under several circumstances, including where such institutions are deemed to be

"pervasively sectarian." When applicable, this test requires close examination of the facts relating to the role of religion at the institution. Accordingly, the Authority has been advised that Bond Counsel under current law cannot render its customary, unqualified opinion that the Bonds are the valid obligations of the Authority, unless the Bonds are first validated pursuant to the Public Finance Act of 1991, Section 15.2-2600 et seq. of the Code of Virginia of 1950, as amended (the "Virginia Code"). Bonds that are issued in violation of constitutional provisions such as the establishment clauses could be declared void, with the result that purchasers of such bonds would suffer damages. Validation eliminates the prospect of challenges to bonds after their issuance, thereby affording an important protection to investors.

In connection with the validation of the Bonds (the "Validation"), it is anticipated that (i) various documents and instruments (the "Documents") will be prepared and filed pursuant to certain proceedings before the Circuit Court of the City of Richmond, Virginia and (ii) various public notices (the "Notices") will have to be given with respect to the Validation and the issuance of the Bonds.

NOW, THEREFORE, IT IS RESOLVED BY THE VIRGINIA COLLEGE BUILDING AUTHORITY:

1. Based upon the representations of and the information provided by the University, the Authority finds and determines that the issuance of the Bonds, and the loan to the University of the proceeds from the sale thereof to be used, together with other available funds, to assist in the Plan of Financing, will be consistent with the purposes of the Act. The Authority (a) approves the application of the University and (b) subject to the Validation, the conditions described herein and the approval of the final financing structure and legal documents by the Authority, authorizes the issuance of the Bonds and the loan of the proceeds from the sale thereof to the University to assist in the Plan of Financing.

2. The legal documents pursuant to which the Bonds would be issued, as required by §23-30.41 of the Virginia Code, would require that no proceeds of the Bonds will be used by the University to provide (a) any facility used or to be used for sectarian instruction or as a place of religious worship, including any chapel and the like or (b) any facility used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination; and in particular the proceeds of the Bonds will not be used to provide facilities for the University's Divinity School.

3. At the request of the University, the Authority accepts the selection of Bond Counsel and consents to the conduct of the Validation. Bond Counsel is authorized on the Authority's behalf to supervise all proceedings and undertake all acts (including without limitation the preparation and filing of the Documents and the giving of the Notices) as it may deem necessary and proper in connection with the Validation. It is understood that the Validation shall be concluded to Bond Counsel's satisfaction (or Bond Counsel shall have otherwise concluded that it can render its customary, unqualified opinion that the Bonds will be the valid obligations of the Authority) before the Bonds are issued.

4. The Authority authorizes and directs the Chairman, Vice-Chairman or the Treasurer of the Authority, any of whom may act, to execute and deliver such Documents and to take such other actions as are necessary or proper in connection with the Validation. The Secretary or Assistant Secretary of the Authority is authorized and directed, as necessary, to affix the seal of the Authority to the Documents and attest the same by his or her signature.

5. The Authority approves, ratifies and confirms all actions of the officers and staff of the Authority, Bond Counsel and Authority Counsel that are in conformity with the purposes or intent of this resolution and the Validation.

6. It having been represented to the Authority that it is necessary to proceed immediately with the Plan of Financing, the Authority agrees that the University may proceed with the Plan of Financing, enter into contracts for the Plan of Financing and take such other steps as it may deem appropriate in connection therewith; provided, however, that nothing in this resolution shall be deemed to authorize the University to obligate the Authority without its consent in each instance to the payment of any moneys or the performance of any acts in connection with the Plan of Financing. The Authority agrees that the University may be reimbursed from the proceeds of the Bonds, if and when issued, for all expenditures and costs so incurred by it, provided such expenditures and costs are properly reimbursable under the Act and applicable federal laws.

7. All costs and expenses in connection with the Plan of Financing and the Validation, including without limitation the fees and expenses of Bond Counsel and Authority Counsel, shall be paid by the University or, to the extent permitted by applicable law, from the proceeds of the Bonds, if and when issued. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the University and that the Authority shall have no responsibility for them.

8. This resolution shall take effect immediately upon its adoption.

CERTIFICATE

The undersigned Secretary of the Virginia College Building Authority (the "Authority"), hereby certifies that the foregoing is a true, correct and complete copy of a resolution adopted by a majority of the Directors of the Authority present and voting at a meeting duly called and held on June 22, 1999, in accordance with law, and that such resolution has not been repealed, revoked, rescinded or amended, and is in full force and effect on the date hereof.

WITNESS the following signature this ____ day of June, 1999.

(SEAL)

Secretary, Virginia College Building Authority

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RESOLUTION OF
VIRGINIA COLLEGE BUILDING AUTHORITY
RELATING TO APPROVAL OF VALIDATION
FOR REGENT UNIVERSITY

Regent University (the "University") has filed with the Virginia College Building Authority (the "Authority") an application requesting the Authority, pursuant to the Educational Facilities Authority Act (Title 23, Chapter 3.3, Code of Virginia of 1950, as amended) (the "Act") to issue its revenue bonds in one or more series and from time to time in an aggregate principal amount not to exceed \$55,000,000 (the "Bonds"), and to lend the proceeds from the sale thereof to the University to assist the University in the acquisition, construction, financing and refinancing of the following (collectively, the "Plan of Financing"): (a) (i) refunding of all or a portion of the \$4,000,000 City of Virginia Beach Development Authority 1984 Industrial Development Revenue Bonds (CBN University Facility), Series A and B, of which \$2,552,261 is currently outstanding, issued to finance the acquisition, construction and equipping of student housing known as "Regent University Village" and located at Jake Sears Circle, Virginia Beach, Virginia (the "1984 Project") and (ii) refinancing of a taxable loan, of which \$2,957,152 is currently outstanding, incurred by the University in connection with an expansion of the 1984 Project; (b) costs incurred in connection with certain expansions, renovations and improvements to the University's facilities located in the City of Alexandria, Virginia and the City of Virginia Beach, Virginia consisting of: (i) a new University campus located at 1650 Diagonal Road, Alexandria, Virginia, consisting of approximately 27,000 square feet to be used for classrooms and supporting administrative space for several of the University's colleges and schools; (ii) a communication and arts complex located on the main campus of the University at 1000 Regent University Drive, Virginia Beach, Virginia, consisting of approximately 125,000 square feet which will house the College of Communication and Arts and various University administrative and student support facilities; (iii) an events center located on the main campus of the University, consisting of approximately 60,000 square feet which will be used for graduation exercises, assembly and lecture series and other major events; and (c) amounts required for reserves, capitalized interest and costs of issuance in connection with the Plan of Financing. The University has represented to the Authority that the University is a nonprofit educational institution whose primary purpose is to provide collegiate or graduate education and not to provide religious training or theological education, except with respect to the University's Divinity School, whose facilities will not be financed with proceeds of the Bonds.

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A public hearing has been held on the date hereof in conformity with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code").

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"pervasively sectarian." When applicable, this test requires close examination of the facts relating to the role of religion at the institution. Accordingly, the Authority has been advised that Bond Counsel under current law cannot render its customary, unqualified opinion that the Bonds are the valid obligations of the Authority, unless the Bonds are first validated pursuant to the Public Finance Act of 1991, Section 15.2-2600 et seq. of the Code of Virginia of 1950, as amended (the "Virginia Code"). Bonds that are issued in violation of constitutional provisions such as the establishment clauses could be declared void, with the result that purchasers of such bonds would suffer damages. Validation eliminates the prospect of challenges to bonds after their issuance, thereby affording an important protection to investors.

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NOW, THEREFORE, IT IS RESOLVED BY THE VIRGINIA COLLEGE BUILDING AUTHORITY:

1. Based upon the representations of and the information provided by the University, the Authority finds and determines that the issuance of the Bonds, and the loan to the University of the proceeds from the sale thereof to be used, together with other available funds, to assist in the Plan of Financing, will be consistent with the purposes of the Act. The Authority (a) approves the application of the University and (b) subject to the Validation, the conditions described herein and the approval of the final financing structure and legal documents by the Authority, authorizes the issuance of the Bonds and the loan of the proceeds from the sale thereof to the University to assist in the Plan of Financing.

2. The legal documents pursuant to which the Bonds would be issued, as required by §23-30.41 of the Virginia Code, would require that no proceeds of the Bonds will be used by the University to provide (a) any facility used or to be used for sectarian instruction or as a place of religious worship, including any chapel and the like or (b) any facility used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination; and in particular the proceeds of the Bonds will not be used to provide facilities for the University's Divinity School.

3. At the request of the University, the Authority accepts the selection of Bond Counsel and consents to the conduct of the Validation. Bond Counsel is authorized on the Authority's behalf to supervise all proceedings and undertake all acts (including without limitation the preparation and filing of the Documents and the giving of the Notices) as it may deem necessary and proper in connection with the Validation. It is understood that the Validation shall be concluded to Bond Counsel's satisfaction (or Bond Counsel shall have otherwise concluded that it can render its customary, unqualified opinion that the Bonds will be the valid obligations of the Authority) before the Bonds are issued.

4. The Authority authorizes and directs the Chairman, Vice-Chairman or the Treasurer of the Authority, any of whom may act, to execute and deliver such Documents and to take such other actions as are necessary or proper in connection with the Validation. The Secretary or Assistant Secretary of the Authority is authorized and directed, as necessary, to affix the seal of the Authority to the Documents and attest the same by his or her signature.

5. The Authority approves, ratifies and confirms all actions of the officers and staff of the Authority, Bond Counsel and Authority Counsel that are in conformity with the purposes or intent of this resolution and the Validation.

6. It having been represented to the Authority that it is necessary to proceed immediately with the Plan of Financing, the Authority agrees that the University may proceed with the Plan of Financing, enter into contracts for the Plan of Financing and take such other steps as it may deem appropriate in connection therewith; provided, however, that nothing in this resolution shall be deemed to authorize the University to obligate the Authority without its consent in each instance to the payment of any moneys or the performance of any acts in connection with the Plan of Financing. The Authority agrees that the University may be reimbursed from the proceeds of the Bonds, if and when issued, for all expenditures and costs so incurred by it, provided such expenditures and costs are properly reimbursable under the Act and applicable federal laws.

7. All costs and expenses in connection with the Plan of Financing and the Validation, including without limitation the fees and expenses of Bond Counsel and Authority Counsel, shall be paid by the University or, to the extent permitted by applicable law, from the proceeds of the Bonds, if and when issued. If for any reason the Bonds are not issued, it is understood that all such expenses shall be paid by the University and that the Authority shall have no responsibility for them.

8. This resolution shall take effect immediately upon its adoption.

CERTIFICATE

The undersigned Secretary of the Virginia College Building Authority (the "Authority"), hereby certifies that the foregoing is a true, correct and complete copy of a resolution adopted by a majority of the Directors of the Authority present and voting at a meeting duly called and held on June 22, 1999, in accordance with law, and that such resolution has not been repealed, revoked, rescinded or amended, and is in full force and effect on the date hereof.

WITNESS the following signature this 24 day of June, 1999.

(SEAL)



Secretary, Virginia College Building Authority

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**VIRGINIA COLLEGE BUILDING
AUTHORITY**

**APPENDICES TO
APPLICATION FOR FINANCING
for
PRIVATE INSTITUTIONS OF
HIGHER EDUCATION**

VIRGINIA COLLEGE BUILDING AUTHORITY
Statement of Policy and Procedures

LOANS TO PRIVATE NON-PROFIT INSTITUTIONS OF HIGHER EDUCATION
(Revised October 19, 1993)

PURPOSE: The purpose of this document is to articulate the Virginia College Building Authority's (the "Authority") policy and procedures in connection with the issuance of bonds for the benefit of certain private non-profit institutions. This document's scope is limited to the Authority's Private College Financing Program and does not apply to other state or local entities with similar programs.

Statutory Authorization. The Authority was created by, and derives its powers from, Chapters 3.2 and 3.3, Title 23, Code of Virginia of 1950, as amended (Attachment A). The Authority has eleven members including: the State Treasurer, State Comptroller, Director of the Department of Planning and Budget, Director of State Council of Higher Education, and seven members appointed by the Governor and confirmed by the General Assembly. Concerning loans to private institutions, it operates to assist nonprofit educational institutions within the Commonwealth whose primary purpose is to provide collegiate or graduate education and not to provide religious training or theological education.

The Authority is authorized to finance a broad range of buildings, additions and improvements of a capital nature, including dormitories, other student and faculty housing, dining halls, student activities, academic, athletic and health care facilities, utilities and maintenance facilities. Also eligible in such financings are costs of land, site development and equipment, professional fees, interest during construction, financing expenses and other costs normally associated with the development, construction and placing of capital projects into operation. The Authority is specifically prohibited from financing any facility to be used for sectarian instruction or as a place of religious worship or to be used primarily in connection with theological education.

The Private College Financing Program. The Authority assists institutions of higher education in the financing and refinancing of a broad range of facilities. As a political subdivision of the Commonwealth of Virginia, the Authority is able to issue its obligations and lend the borrowed proceeds to private institutions. Since interest on the Authority's obligations is exempt from state and federal income taxation, the interest rate paid by the private institutions will be lower than that which could be obtained by the private institution without the assistance of a governmental issuer of tax-exempt bonds (e.g. local industrial development authorities).

The Authority expects to finance new buildings and additions and major renovations of existing buildings for which funding through capital gifts and other sources is not presently available. The Authority does not expect to finance facilities for which construction has been completed prior to submission of an application. However, the Authority may refinance debt for facilities that have been previously financed.

Terms of the Borrowing. The Authority can issue long-term bonds with annual amortization or what might be commonly referred to as construction loan notes of several years' duration with no annual amortization. The institution should inform the Authority of its repayment plan for construction loan notes at the time of application. If the institution desires to convert such notes at maturity to long-term bonds, the institution should make this known at the time of application.

The Authority will lend the proceeds of its bonds or notes to the institution, taking back the institution's promissory note as evidence of its debt to the Authority. The Authority will assign this note to the Trustee as security for the Authority's bonds or notes.

Guidelines for Security of Bonds and Notes

If, from the information in the application from the institution for a loan, and other sources, it appears that the institution may have the financial capability and outlook for the future to enable it to repay the loan and pay the interest thereon, the Authority will determine if acceptable security for the loan can be developed from the following guidelines.

The institution's note shall be secured by its general credit together with certain covenants as to among other things:

- (1) maintaining its corporate existence;
- (2) maintaining its status as a tax-exempt organization;
- (3) continuing to operate as an accredited institution of higher education; and
- (4) not dissolving or otherwise disposing of all, or substantially all, of its assets.

The Authority may request that the institution make certain additional covenants or agreements as may be deemed necessary. These may include, but are not limited to, any combination of the following:

- (1) **Debt Coverage Ratio:** The institution shall maintain an agreed upon ratio of available assets to debt obligations to be determined for the transactions by the Authority.

The institution via its independent auditor shall report semi-annually to the Trustee as to the status of this ratio.

- (2) **Negative Pledge:** The institution may make a Negative Pledge Covenant agreeing not to dispose of or encumber all, or a portion of, its Endowment and Endowment Type funds or that it will not mortgage its other (or certain other) properties.

- (3) ***Segregated Endowment:*** The institution may set aside and earmark an amount of Endowment or other assets designating them for use for purposes such as payment of debt obligations and financing of capital expenditures.
- (4) ***Mortgage/Security Interest:*** The institution may mortgage in favor of the Authority the land and buildings comprising the project and may include therein other land and buildings and may grant a security interest in equipment and other tangible personal property.
- (5) ***Letter of Credit:*** The institution may enhance the credit rating of the proposed bond issue by providing a letter of credit from a bank acceptable to the Authority.
- (6) ***Bond Insurance:*** The institution may enhance the credit rating of the proposed bond issue by providing bond insurance acceptable to the Authority.
- (7) ***Debt Service Reserve Fund:*** Authority may require establishment of a Debt Service Reserve Fund using bond funds and containing up to one year's bond principal and interest.
- (8) ***Collateral:*** The institution may collateralize the loan by depositing with the Trustee securities in an amount equal to a certain percentage of the principal amount of the loan (and maintaining such level over the life of the loan).

Security Analysis

Security analysis shall be prepared by the institution, with the assistance from its underwriter, financial advisor or other appropriate consultants. This analysis shall outline one or more proposals for security provisions or security enhancement and show the financial impact on the institution of these proposals. The analysis also shall express the Underwriter's opinion as to the marketability of the proposed issue.

The Authority may consult with its financial advisor or an investment banker of its choosing for an opinion concerning the proposal of the institution.

The acceptance and approval of any particular proposal by the Authority will be made with due consideration to the financial arrangements that are judged to be in the best interests of the Authority and the institution.

Plan of Financing

The institution will recommend to the Authority a desired plan of financing. This should include the proposed duration and amortization schedule for the bonds or notes and whether they will be privately placed with a single or small group of institutional buyers or sold to underwriters for offering to the public. While all of the Authority's obligations to date have borne interest at fixed rates, the Authority will consider variable rate securities as well as other innovative financing techniques such as the use of "puts" in appropriate circumstances.

In the case of a public offering, the institution will provide an official statement meeting accepted industry standards for the public offering of securities. It has been the Authority's practice in connection with a public offering of securities, with the exception of short term notes, to require the institution to obtain a satisfactory rating from at least one of the national rating agencies. At a minimum such ratings must qualify as "investment grade." While ratings of "A" or better are preferred, the Authority will consider ratings of "Baa" or "BBB" in appropriate circumstances.

Institutions may also apply for financing through the Authority's program with the Student Loan Marketing Association ("Sallie Mae"). This private placement program provides an alternative to public offerings and is available to institutions with prior approval of Sallie Mae. Institutions may contact Sallie Mae using the following address and phone number:

Student Loan Marketing Association
ATTN: Public Finance Department
1050 Thomas Jefferson Street, N.W.
Washington, D.C. 20007-3871
(202) 298-3901

Miscellaneous

The Authority requires adherence to sound construction practice, in particular, the Virginia Uniform Building Code, and may require one or more of the following:

- (1) Specific covenants that the plans are, or will be, designed to the prevailing Code, including Code requirements for removal of architectural barriers to the handicapped;
- (2) After completion, a certificate of the institution's architect that the project, as completed, is in conformity with the Code requirements;

- (3) Performance and payment bonds from the general contractor and a structured system of construction inspection by the architect or some other professionally qualified inspector representing the institution; or
- (4) Such other agreements or covenants to ensure compliance with federal and state laws.

The Application/Approval Process. The Authority has instated a formal application procedure, a copy of which can be obtained from:

Office of the State Treasurer
P. O. Box 1879
Richmond, Virginia 23215-1879
(804) 225-2142

Upon receipt, the Authority will refer each financing application to the State Council of Higher Education for its evaluation of institutional characteristics to be identified by the Authority. The Authority will consider the comments of the State Council, but will not require a formal statement of approval as a prerequisite to issuing bonds or notes. It is expected that the Authority will have reviewed the State Council's comments before it meets with representatives of the institution and its financial advisors.

Following the Authority's determination to finance a project, it will be the responsibility of the institution to plan the financing, have financing documents prepared, apply for bond ratings, and bring a specific financing proposal to the Authority for its approval. Obligations issued by the Authority for the benefit of an institution will be payable solely from the specific sources provided by the institution, and the Authority will have no direct responsibility therefore.

Costs of the Financing Program. All costs incurred in connection with the issuance of the Authority's obligations may be paid out of the proceeds of the obligations or, if no obligations are issued, by the institution. The Authority may charge its continuing expenses to the several participating institutions on such basis as the Authority determines to be equitable.

Procurement of Services. As part of the approval process, the Authority will consider the institutions' selection of Bond Counsel and other advisors to the Authority, but the consent of the Authority to this selection will be required prior to the issuance of debt. Historically, the Authority has consented to institutions' selections of Bond Counsel and Trustee banks, and those persons will continue to perform such functions, at the pleasure of the Authority, even though

their fees and charges will be paid by the institutions responsible for the repayment of the various series bonds and notes outstanding. The institution may select, in any manner it deems appropriate, the providers of such other services needed for the public or private sale of notes or bonds, including bond rating agencies, investment bankers, accountants and financial printers.

Role of Treasury Staff. The Department of the Treasury acts as staff to the Authority for the sole purpose of processing applications, issuing meeting notices to members of the Authority, providing a place to hold such meetings, reporting the issuance of debt to any state or federal agency desirous of monitoring the issuance of such obligations, and to provide general direction to institutions seeking financing from the Authority. The Department is not responsible for the procurement of any services needed in the sale of bonds, for the maintenance of any lists of bondholders, for the payment of any expenses associated with servicing outstanding bonds, or for providing credit information to the investment community or the rating agencies concerning the institutions that have participated in the Authority's private college financing program.

Not Debt of the Commonwealth. The obligations issued by the Authority are not in any way to be construed as obligations of the Commonwealth, legal, moral or otherwise, and the Authority has been created by an Act of the General Assembly of Virginia for the sole purpose of providing a mechanism for higher educational institutions located in the Commonwealth, to obtain tax-exempt financing as permitted by federal law.

VIRGINIA:
IN THE CIRCUIT COURT FOR THE CITY OF RICHMOND

VIRGINIA COLLEGE BUILDING)
AUTHORITY,)
)
Plaintiff,)

v.)

LAW # _____

STATUTORY DEFENDANTS PURSUANT)
TO VIRGINIA CODE §15.2-2600 ET SEQ.,)
TO WIT, TAXPAYERS, PROPERTY OWNERS)
AND CITIZENS OF THE)
COMMONWEALTH OF VIRGINIA,)
INCLUDING NONRESIDENTS OWNING)
PROPERTY OR SUBJECT TO)
TAXATION THEREIN, AND ALL)
OTHER PERSONS INTERESTED IN OR)
AFFECTED IN ANY WAY BY THE)
ISSUANCE BY THE VIRGINIA)
COLLEGE BUILDING AUTHORITY OF)
REVENUE BONDS NOT TO EXCEED)
\$55,000,000, TO BE ISSUED IN ONE)
OR MORE SERIES FROM TIME TO)
TIME, TO FINANCE THE PLAN OF)
FINANCING OF REGENT UNIVERSITY,)

Defendants.

AFFIDAVIT OF W. GEORGE SELIG

W. George Selig, having personally appeared to me and having been duly sworn states as follows:

1. My name is W. George Selig and I currently reside at 1440 North Woodhouse, Virginia Beach, VA 23454.

2. I am currently employed as the Provost of Regent University ("Regent" or "the University") in Virginia Beach, Virginia. In this position, I am in charge of academic policies

and standards for faculty and students at Regent.

3. Regent is a non-profit institution for higher education offering graduate level degrees only. The University is organized into seven schools, plus a center for leadership studies. Regent offers more than 20 graduate degrees through eight major graduate programs, all of which are full accredited. These programs include business, law, communication and arts, counseling and human services, divinity, education, government, and leadership studies.

4. Regent is accredited by the Southern Association of Colleges and Schools. Regent's Academic Freedom and Professional Security Policies were reviewed on November 1-4, 1998 by the Reaffirmation Committee of the Southern Association of Colleges and Schools as provided for in their report attached as Exhibit 1. In addition, Regent's law school is accredited by the American Bar Association.

5. Regent currently maintains a faculty of approximately 100 persons, with a graduate student body of 1850-1900. Of these students, only 289 are currently enrolled in the divinity school.

6. Regent does not require its faculty to adhere to the beliefs of a specific denomination or belong to a specific church, and expects, but does not require its faculty to attend the University's non-denominational chapel.

7. Consistent with Regent's Policy on Academic Freedom (attached as Exhibit 2), professors at Regent are permitted to teach their classes according to their own viewpoints. Both the structure and content of the courses taught at Regent are consistent with principles of academic freedom and are not subject to the dictates of any particular viewpoint, religious or otherwise.

8. Faculty members sign the Regent Statement of Faith and Mission Statement (attached as Exhibits 3 and 4, respectively), but the statements neither demand nor expect membership in a church or adherence to a particular denominational theology. Regent's Statement of Faith and Mission Statement are not intended to compromise the standards of academic freedom that operate at the University. Faculty members agree to teach in a spirit consistent with Regent's Statement of Faith and Mission Statement, but in a manner consistent with their professional discretion.

9. Since its inception, specific denominational affiliation has never been a factor in employment at Regent.

The above is true and correct to the best of my knowledge, information and belief.


W. GEORGE SELIG

STATE OF VIRGINIA

:
:
:
:

CITY OF VIRGINIA BEACH

I hereby certify that the foregoing Affidavit was subscribed and sworn to before me, a Notary Public, by W. George Selig, this 21st day of June, 1999.


NOTARY PUBLIC

My Commission Expires: September 30, 2000

**Commission on Colleges
Southern Association of Colleges and Schools**

**REPORT OF THE REAFFIRMATION COMMITTEE
REPORT OF THE SUBSTANTIVE CHANGE COMMITTEE
REPORT OF THE CONSULTING COMMITTEE**

**Regent University
Virginia Beach, Virginia
November 1-4, 1998**

4.8.6 Academic Freedom and Professional Security

Based on the documentation provided, the Committee finds no basis for making a recommendation in this section.

Regent University demonstrates a well-documented concern for promoting and assuring academic freedom and for providing for professional security of faculty members. The faculty want to integrate faith into learning, but no one attempts to dictate to them how this is to be done. Faculty members believe that the university and its

20

leadership are very supportive of their academic freedom: there is full acceptance of a broad range of Christian faiths, and there are no repercussions for dissident views. As one faculty member said, the "openness of the atmosphere is great!"

Faculty and students are free to examine all pertinent data, question assumptions, be guided by the evidence of scholarly research, and teach and study the substance of a given discipline. All the units seem very open to and supportive of academic freedom, viewing it, as one unit explains, as "a sacred trust." Students must read, but are not required to subscribe to, Regent University's "statement of faith."

Regent University adopted and distributed to all faculty members a statement of the principles of academic freedom as established by the governing board, ensuring freedom in teaching, research and publication.

Regent University's institutional policies set forth the requirement for faculty members to carry out their duties in a professional, ethical and collegial manner that enhances the purpose of the institution.

Although tenure policy is not mandated by the *Criteria*, Regent University does provide contracts, letters of appointment, or similar documents to faculty members clearly describing the terms and conditions of their employment. Faculty (including untenured, tenure-track faculty members) state that documents and guidelines are clear, specific about expectations, and clearly laid out. A new, detailed tenure policy was instituted four years ago. The first group of faculty members, therefore, have only recently been subject to the process. Faculty members are interested in how the process is applied, but, according to the president of the faculty senate, so far no faculty members have expressed any formal concerns or complaints about tenure decisions.

All policies regarding employment, as established by the governing board, are published and distributed to the faculty. The policies and procedures for promotion, for awarding tenure, for providing adequate notice on non-renewal of a probationary appointment, and for termination of appointments, including those for cause, are clearly set forth in the faculty handbook and other official publications.

Termination and non-renewal procedures contain adequate safeguards for protection of academic freedom.

SELIG AFFIDAVIT EXHIBIT 2

Policy on Academic Freedom

We regard academic freedom as a sacred trust and God-given responsibility that encourages the scholarly pursuit of truth in each academic discipline to which God has called us. The foundation of academic freedom is the belief that God is the author of all truth. All faculty are encouraged to seek wisdom and understanding, acquire knowledge, and teach others. Therefore, faculty need not fear where their pursuit of knowledge and wisdom may lead, but rather are to be guided by the fear of the Lord.

Academic freedom is entrusted to every full-time and part-time faculty member, teacher and researcher at Regent University. Academic freedom is always found within a context of standards or norms. Therefore, Regent University defines academic freedom within the following context of standards or norms for its faculty members:

1. God is the source of all truth. The Scriptures are the written expression of truth and the revealed will of God. There is also natural revelation. Both types of revelation contribute to our understanding of truth.
2. Academic freedom functions within Regent University's mission statement and its statement of faith. Specifically, within the mission statement, the faculty member takes the role of being a Christian leader in order to model Christian leadership to students. Academic freedom serves to make the University a "leading center of Christian thought and action." Regent's vision, ". . . to transform society by affirming and teaching principles of truth, justice and love, as described in the Holy Scriptures, embodied in the person of Jesus Christ, and enabled through the power of the Holy Spirit," can be achieved only if faculty demonstrate these principles in the classroom.
3. "The teacher is a citizen, a member of a learned profession, and an officer of an educational institution" ("Academic Freedom and tenure, 1940 Statement of Principles and Interpretive Comments," American Association of University Professors). What faculty say or do as private citizens outside their own area of professional competence cannot be justified on the grounds of academic freedom. The public will judge the University by the faculty's utterances. Consequently, accuracy, proper restraint, and respect for the rights of others to express their opinions shall be exercised by faculty speaking in public as private citizens. These considerations are not meant to restrict the faculty's ability to make public utterances on topics outside of their discipline, but to

encourage faculty to speak the truth in love in accordance with scriptural principles.

4. The University shall not restrict faculty from speaking out politically, or from addressing the wrongs in society, as private citizens. Faculty are free to hold public office so long as holding that office does not interfere with fulfillment of contractual duties.
5. Exercising academic freedom requires responsibility and propriety in the pursuit of truth, as well as complete honesty and loyalty to the mission statement and statement of faith of the University.
6. Academic freedom at Regent University is framed by the context of the University's mission statement and statement of faith and is consistent with the standards and norms stated in the academic freedom policy. The faculty member is free to pursue truth within his or her discipline by research, discussion, and other forms of inquiry. This freedom carries a responsibility to truth, to scholarly integrity, and to one's students.

Faculty members may not use their position or classroom as a platform to demand adherence by students to a personal theological viewpoint, political preference or social agenda.

If an individual believes that a faculty member has violated the University's mission statement and/or statement of faith, he or she could confront that individual with the charges. If the issue is not resolved, these two individuals should meet with the faculty member's dean. At this point documentary evidence must be presented.

If the dean is unable to resolve the issue satisfactorily to all parties involved, any party may then take the issue to the Provost. The Provost may dismiss the matter or refer it to the standing Hearing Committee if he or she determines that there may be a violation of academic freedom. The Committee shall conduct their hearing consistent with policies outlined in the Contract Termination policy and shall make a recommendation regarding the disposition of the matter to the President. The President shall make a final decision. (Academic Council, Approved April 1994)

SELIG AFFIDAVIT EXHIBIT 3

Statement of Faith

Regent University is a Christ-centered institution. The Board of Trustees, along with the faculty and staff of the University, are committed to an evangelical interpretation and application of the Christian faith. The campus community is closely identified with the present-day renewal movement, which emphasizes the gifts, fruit and ministries of the Holy Spirit. It is expected that all trustees, officers, administrators and faculty will subscribe to this statement in writing:

1. That the Holy Bible is the inspired, infallible and authoritative source of Christian doctrine and precept.
2. That there is one God, eternally existent in three persons: Father, Son and Holy Ghost.
3. That man was created in the image of God but, as a result of sin, is lost and powerless to save himself.
4. That the only hope for man is to believe on the Lord Jesus Christ, the virgin-born son of God, who died to take upon Himself the punishment for the sin of mankind, and who rose from the dead, so that by receiving Him as Savior and Lord, man is redeemed by His blood.
5. That Jesus Christ will personally return to Earth in power and glory.
6. That the Holy Spirit indwells those who receive Christ, for the purpose of enabling them to live righteous and holy lives.
7. That the Church is the body of Christ and is comprised of all those who through belief in Christ have been spiritually regenerated by the indwelling Holy Spirit. The mission of the Church is worldwide evangelization and the nurture and discipling of Christians.

SELIG AFFIDAVIT EXHIBIT 4

Mission Statement

Preamble: Regent University is a graduate institution that exists to bring glory to God the Father and His Son Jesus Christ through the work of the Holy Spirit.

Mission: Our mission is to provide an exemplary graduate education from biblical perspectives to aspiring servant leaders in pivotal professions and to be a leading center of Christian thought and action.

Vision: Our vision, through our graduates and other scholarly activities, is to provide Christian leadership in transforming society by affirming and teaching principles of truth, justice and love as described in the Holy Scriptures, embodied in the person of Jesus Christ, and enabled through the power of the Holy Spirit.

Student Admission and Registration

Admission Criteria and Procedures for On-Campus Programs (2:02:01)

Master's or Professional Degree Program

Generally, admission to a master's or professional degree program at Regent University requires a completed four-year bachelor's degree from a state and regionally accredited post-secondary institution. Applicants possessing an earned bachelor's degree from a four-year program at a nonaccredited institution will be considered on an individual basis by the admissions committee of the school in which enrollment is desired. Applicants without a fully completed degree may be considered through the Accelerated Scholars and Professionals program.

The following criteria must be met for acceptance to degree-seeking status. Individual schools may have additional requirements.

1. High intellectual achievement and scholarship as evidenced by college grades, graduate entrance exams and academic recommendations. Specifically, those include:
 - a. A cumulative undergraduate grade point average of 3.75, based on a 4.00 scale. A minimum 3.00 grade point average in the major desired.
 - b. Submission of test scores, normally taken within the last five years, as required by each school. If the applicant has earned a previous graduate degree, this requirement may be waived by the school.
2. Maturity in spiritual and/or character qualities.
3. Personal goals consistent with the mission and goals of Regent University.

Application Process

The following items are necessary to be considered for admission to degree-seeking status at Regent University:

1. Regent University application form.
2. Nonrefundable application fee.
3. Signed Community Life Form, which includes the Nondiscriminatory Policy and Standard of Personal Conduct.
4. Personal goals statement.
5. Personal recommendations as required by each school.
6. Transcripts. Official transcripts are required from all previous colleges or universities attended at either the undergraduate or graduate level, regardless of the number of courses or the nature of the work taken. They should be mailed directly from the sending institution to the school's Admissions Office. Once a transcript is submitted, it cannot be returned to the applicant nor forwarded to a third party. Photocopies of transcripts are not acceptable for permanent records.
7. Photograph. A wallet-sized photograph attached to the application for identification purposes (optional).
8. Tests. Each applicant must register for and take the test required by the school to which he or she is applying. An official copy of the score results should be sent to the Admissions Office by including Regent University's code number on the test registration form.
9. Required interviews: Each school determines the number of interviews required and designates the staff members who conduct the interviews. In-person interviews are preferred, but telephone interviews may be arranged.
10. Writing samples. Some Regent schools may require a writing sample. These samples, at the discretion of the schools, may be an essay or article written for college credit, a newspaper article or letter to the editor, or an article published in a church newspaper, magazine, professional journal, or business or political publication. If necessary, applicants may submit instead a typed, 500-word essay on some topic of public importance.

Professional Development Enrollment Approval

At the discretion of the individual schools, applicants desiring to enroll in one or two Regent courses for one term only may complete the Professional Development

Enrollment Application/Registration form, listing the course(s) in which they desire to enroll. Professional Development applicants must have completed an undergraduate degree to be eligible for enrollment for graduate credit. Applicants who do not have an undergraduate degree may register for classes on an audit basis only.

The following items must be submitted to be eligible for acceptance as a Professional Development student at Regent University:

1. Professional Development Enrollment Application/Registration Form including signed Philosophy of Education.
2. Nonrefundable application fee.
3. A transcript confirming the attainment of a bachelor's degree if enrollment for credit is desired. An official transcript is preferred but an unofficial copy will be accepted.

Professional Development applicants will not be admitted to any of Regent's schools or colleges. They will be classified in the Professional Development program. Professional Development students are not eligible to receive financial aid and may enroll in courses on a space-available basis only.

Professional Development students are eligible to register for one term only, whether for credit or audit. A registration hold will be placed on subsequent terms. To be eligible for continued enrollment after that term, the Professional Development student must submit a regular application or a nondegree application for a specific school by the application deadline for the term desired. All additional admissions requirements must be met. The school will notify the student of its decision. Since all courses completed as a Professional Development student are posted on a nondegree transcript, the student accepted to a specific school must petition in writing to have those credits count toward his academic program completion.

Admission Factors for Degree Status

The school or college admissions committees consider several factors when they evaluate an applicant for degree status:

1. Academic preparation and potential
2. Professional achievement and potential
3. Leadership achievement and potential

4. Character - commitment to excellence, innovation and integrity
5. Personal maturity - commitment to personal growth and community service
6. Compatibility of applicant's gifts with his goals
7. Applicant's commitment to his profession.

Each part of the application package covers one or more of these factors. Taken as a whole, they provide an indication of the applicant's potential for success in our graduate programs and career success following graduation.

The following information is a description as to how each part of the application package applies to the admission factors listed.

1. Past academic achievement is a predictor of future academic achievement. Past achievement is measured by college attended, degree earned, courses completed, grades received, and faculty evaluation.
2. Performance on a test that measures ability to do the types of analyses required in a graduate program.
3. Previous professional or other work achievements indicate initiative, drive, knowledge and skills that will help the student complete the program and achieve career success. They are measured by self-reported achievements in the application, goals statement, and by recommendations. We look for achievements commensurate with age and experience.
4. A history of commitment to excellence, innovation, and integrity and a stated desire to pursue those values in the future indicates potential for a life that will glorify God. This is measured by the applicant's experience, goals statement, recommendations, and interviews.
5. Leadership achievements indicate potential for future leadership. These are measured by self-reported achievements in the application and goals statement, and by recommendations.
6. Personal maturity and commitment to service are measured by the self-reported record of service in the goals statement and interviews, and by recommendations.

Introduction to Student Services

In this section, information on a variety of topics related to student life is presented. These details make up an important part of day-to-day life at Regent University and should be carefully reviewed. They will assist students in taking maximum advantage

of university resources. While each student is an individual in terms of goals and progress toward God's ideal, there are some significant commonalities to our commitment.

Intellectually, Regent University students agree to receive an education in accordance with our Philosophy of Education. Affirming the principle that all knowledge and wisdom come from God, each student's intellectual pursuit is characterized by a unique combination of disciplined academic preparation and compassionate, service-motivated application. Regent University students recognize that the discovery of truth may take them in a variety of directions. There is a commitment that all truth is "God's Truth" no matter where it is found. Students are challenged to filter through various avenues of learning to discover the essence of God's Truth.

Socially and culturally, Regent University students come to grips with the meaning of Christ's command that His followers are "to be in the world but not of it." Each student submits to the Standard of Personal Conduct and The Honor Code of Regent University throughout the time of his or her enrollment. The maturing Regent University student is committed to the highest standards of personal and professional integrity, a growing sensitivity to the needs of mankind, deepening personal humility which recognizes the hand of God in all that is accomplished and a sincere desire to cultivate and maintain meaningful life-long personal relationships. As a community of committed scholars, students recognize that it is necessary to maintain a posture of both contributing to and receiving from that community.

Physically, Regent University students acknowledge the important relationship between physical health and personal well being. While the institution does not prescribe programs of physical development, it does encourage a disciplined combination of diet and exercise so that students may develop and maintain a level of stamina necessary for the fulfillment of intellectual, social and spiritual responsibilities.

Although spiritual growth is ultimately an individual responsibility, the School of Divinity encourages and facilitates spiritual development among Regent community members.

In summary, Regent University students are preparing to live a life of honor to God, of service to mankind and of fullness to oneself. The goal is to help each student actualize his or her inherent potential and make a meaningful contribution to the activities of the university and society.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WALTER JOHNSON,

Plaintiff,

Civil Action No.
98-CV-71672-DT

vs.

HON. BERNARD A. FRIEDMAN

THE ECONOMIC DEVELOPMENT
CORPORATION OF THE COUNTY
OF OAKLAND,

Defendant.

**OPINION AND ORDER GRANTING DEFENDANT'S
MOTION FOR SUMMARY JUDGMENT AND DENYING
PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT**

This matter is presently before the court on cross motions for summary judgment. The issues have been fully briefed and the court has heard oral argument. For the reasons stated below, the court shall grant defendant's motion and deny plaintiff's motion.

This is a First Amendment case that challenges the constitutionality of the procedure by which a construction project was financed at a school affiliated with the Catholic Church. The issue is whether the financing violated the Establishment Clause.

The parties have stipulated to all of the relevant facts, and they agree that the matter may appropriately be decided on summary judgment. The Academy of the Sacred Heart "is an independent Roman Catholic school (pre-school through grade 12) located in Bloomfield Hills, Michigan." Joint Stipulation of Facts, ¶ 62. "The Academy is a nonprofit organization . . . and is

exempt from federal income taxation. . . ." Id. ¶ 63. "The Academy . . . does not give a preference in admissions to Roman Catholics." Id. ¶ 68. "There is no religious-affiliation requirement or preference for the Academy's teachers, and the school does not inquire as to the religious affiliation of prospective faculty members." Id. ¶ 72. "The Academy offers a well-designed college-preparatory curriculum. Every student receives intensive training in the basic academic skills of English, mathematics, history, foreign languages and science. Art, music, drama, forensics, theology, computer science, and public service are essential parts of the program." Id. ¶ 74.

In its Recruiting Brochure, the academy describes itself as "a Christ-centered school operating in the evolving tradition of the [Catholic] Church" Stipulation of Facts, Exhibit 20. Applicants for admission must support its "Goals and Criteria," the first of which is "to educate to . . . a personal and active faith in God." Id. The school's religion department indicates that the academy "commits itself to a personal and active faith in God. Rooted in the love of Jesus Christ, the academy promotes personal and community prayer with reflection. . . . The academy teaches a respect for the various religious traditions of the world while presenting itself to the wider community as a Christ-centered institution within the tradition of the Roman Catholic Church." Stipulation of Facts, Exhibit 22 (Department Overviews and Course Description Sheets).

The dispute at issue in this case can trace its beginnings to March 1995, when the academy sought a means of financing a construction project. This project "consisted of (1) the construction of an approximately 6,700 square foot addition to the Academy's lower school, (2) renovation of and improvements to a science wing, and (3) other renovation of existing facilities (including new telephone equipment, classroom monitors, fiber-optic cable, intercom system). The Project did not include any construction, renovation or improvement of the Academy's chapel."

Joint Stipulation of Facts, ¶ 24.

The academy approached defendant, the Economic Development Corporation (EDC) of Oakland County. The Oakland EDC was created in 1980 pursuant to Michigan's EDC Act, M.C.L. §§ 125.1601-1636. Id. ¶ 10. That statute was enacted "'to alleviate and prevent conditions of unemployment' and 'to assist and retain local industrial and commercial enterprises . . . [and] to strengthen and revitalize the economy of the state and its municipalities.'" Id. ¶ 4, quoting M.C.L. § 125.1602. The statute authorizes EDCs, among other things, to "issue revenue bonds to finance building and improvement projects." Id. ¶ 8. Under the statute, "the municipality shall not be liable on notes or bonds of the EDC, and . . . the notes and bonds shall not be a debt of the municipality." Id. ¶ 9.

The Oakland EDC is financed "'from donations, gifts, grants, and devises, either solicited or unsolicited, obtained from public authorities, individuals, corporations and other organizations, by earnings from its activities, borrowings and issuance of revenue bonds and notes.'" Id. ¶ 15, quoting Article IX of the Oakland EDC's Articles of Incorporation. The Oakland EDC shares office space and telephone systems with the Oakland County Planning and Development Division, and reimburses the county for its share of building rent and other expenses. Id. ¶ 18.

In March 1995, the Oakland EDC "decided to issue economic development limited obligation revenue bonds" to finance the academy's construction project. Id. ¶ 27. Under its Resolution of Inducement, the Oakland EDC "specified that under no circumstances would the Oakland EDC, the County of Oakland, the State of Michigan or any of its taxpayers or citizens ever be required to pay principal of, interest on, or any other costs relating to the bonds." Id. In approving the academy's application, the Oakland EDC found

that there existed a need to "encourage the . . . expansion of [commercial] enterprises in order to strengthen and revitalize the County's economy and to provide needed services and facilities to the County[] and its residents." The Resolution also stated that the Academy Project was a 'project' within the meaning of the EDC Act capable of providing needed services and facilities to the residents of the County, and that the construction of the project would "create job opportunities for the residents of the County and will aid in the general economic welfare of the County and the State of Michigan." The Resolution further stated that issuance of the bonds would assist the Academy to "establish, modernize, improve, reconstruct and/or expand its business within the County of Oakland." Based on projections provided by Academy representatives and the EDC staff's review of those projections, the EDC estimated that the Academy project would create 7 new permanent jobs, five teachers and two maintenance, at the Academy.

Id. ¶ 23.

In May 1995 the Oakland County Board of Commissioners approved the academy's project plan, and in June 1995 "the Oakland EDC unanimously adopted a Bond Authorizing Resolution authorizing the issuance of limited obligation revenue bonds for the Project." Id. ¶¶ 34, 35. Further, "[I]n approving the financing of the Project, the Oakland EDC acted without regard to the religious affiliation of the Academy." Id. ¶ 37. In June 1995, the Oakland EDC "issued variable rate demand limited obligation revenue bonds" to finance the academy's project. Id. ¶ 38. The bonds "were delivered to NBD Bank, which acted as placement agent in marketing the bonds, and sold to private investors." Id. ¶ 40. "The proceeds from the sale of the Bonds were loaned by the Oakland EDC to the Academy . . . pursuant to a Loan Agreement Under the Loan Agreement, the Academy is responsible for paying all costs and expenses includ[ing] any attorneys', trustee's, placement agent's or remarketing agent's fees, or any letter-of-credit, real estate, title-related or other costs incurred in connection with the Project." Id. ¶ 41. The loan was in the amount

of \$3.5 million and is being repaid over a ten-year period. Id. ¶ 46. The academy makes its loan payments directly to NBD Bank. Id. ¶ 42.

Interest on the bonds is exempt from Michigan and federal income taxation. Id. ¶¶ 44, 45. The Oakland EDC does not "monitor the Academy's payments of principal and interest to the bank." Id. ¶ 47. "The interest payments made by the Academy to the bank were less than such payments would have been for an otherwise comparable non-tax-exempt commercial loan." Id. ¶ 49. The parties also stipulate that the Oakland EDC spent approximately \$1,795.76 in supervisor's and clerk's services in connection with processing the academy's application; and that the academy paid to the EDC \$5,875 in fees. Id. ¶¶ 54, 55.

Finally, the parties also stipulate that since 1980 the Oakland EDC has financed "numerous projects using the same procedures and criteria that were used to approve the Academy Project. . . . Applicants have included numerous private businesses seeking tax-exempt financing for, inter alia, construction of factories and office buildings and purchase of machinery and equipment. Project applicants have also included a number of not-for-profit entities seeking to construct or make improvements to schools, medical facilities and nursing homes." Id. ¶¶ 57, 58. A complete list of all completed projects is attached to the parties' stipulation of facts as Exhibit 19. This list shows that from 1980 through 1998, a total of 56 projects were financed by the sale of bonds authorized by the Oakland EDC. The bond amounts ranged from \$500,000 to \$42,900,000. The types of projects financed included renovation of, improvements to, and new construction of shopping centers, office and light industrial buildings, manufacturing and medical facilities, restaurants, nursing homes, schools, and a golf course. The estimated number of jobs created by each project (except bond refinancing) ranged from 5 to 460. The Oakland EDC has financed several projects

at schools and other educational facilities, some of which are religiously affiliated. See Stipulation of Facts, ¶ 59.

Plaintiff is a resident and taxpayer of Oakland County. Id. ¶ 1. He alleges that the Oakland EDC has violated the Establishment Clause because "[t]he issuance of revenue bonds ... provid[es] a significant financial benefit to Sacred Heart Academy and to other religious and pervasively sectarian institutions" Second Amended Complaint, ¶ 15. Plaintiff also alleges that the issuance of revenue bonds to such institutions violates the EDC Act and the Michigan Constitution. Plaintiff seeks various relief, including a declaration that the issuance of revenue bonds for the benefit of Sacred Heart Academy violates the Establishment Clause; an injunction prohibiting the issuance of such bonds "for the benefit of religious and pervasively sectarian institutions, including parochial schools"; an order "directing the defendant . . . to recall and nullify the revenue bonds it has issued for the benefit of Sacred Heart Academy"; and an order "that defendant . . . take appropriate legal action against any institution that acted in concert or participation with the defendant . . . to obtain repayment to the public treasury of such financial benefits received through the unconstitutional issuance of public revenue bonds to a sectarian institution." Id. pp. 5-6.

In a counterclaim, defendant asserts that it supports any building project which is in the community's best interest and that the applicant's religious affiliation is not considered. Defendant also asserts that "the pendency of this lawsuit, and the threat of other lawsuits, may impair the Oakland EDC's ability to finance other projects that meet the religiously neutral criteria of the EDC Act"; and that "[a] declaratory judgment that the issuance of the Bonds in this case does not violate the Establishment Clause will eliminate any uncertainty raised by the filing of this lawsuit

and will enable the Oakland EDC to fulfill its statutory mandate of promoting economic development through qualified projects in Oakland County in the future. . . ." Counterclaim, ¶¶ 17, 20. Defendant seeks a declaration to the effect that "its issuance of limited obligation revenue bonds in connection with the Academy of the Sacred Heart Project and its policy of issuing limited obligation revenue bonds on a religiously neutral basis in accordance with the criteria of the EDC Act do not violate the Establishment Clause." Counterclaim, p. 10.

Plaintiff's Standing

As an initial matter, the court is persuaded that plaintiff has standing to sue. Defendant argues that plaintiff lacks standing because he has not suffered any specific injury, either actual or threatened. Defendant contends that it did not incur any expenses in issuing the bonds, as the academy paid \$5,375 in fees, which exceeded the administrative costs in processing the project application. However, plaintiff correctly argues that as a taxpayer he has standing due to the potential loss of tax revenue caused by the issuance of tax-exempt bonds. See Hawley v. City of Cleveland, 773 F.2d 736, 741-42 (6th Cir. 1985). The issuance of tax-exempt bonds has an impact on the state's general fund, as the bondholders do not pay income tax on the interest. Plaintiff estimates that the Michigan treasury will lose \$68,400 in tax revenue due to the bonds issued in this case. Regardless of the amount of the financial impact, it would appear to suffice to give plaintiff standing under Hawley. Thus, for present purposes the court will assume that plaintiff has standing.

Defendant also argues that plaintiff is guilty of laches because he did not file suit until three years after the bonds were issued. Plaintiff counters by arguing that he did not learn of the issuance of the bonds until January 1998, and that he filed suit promptly thereafter in April 1998.

The court is not persuaded that plaintiff delayed unduly in bringing suit, nor has defendant shown that the alleged delay has caused it any substantial prejudice. See Bvlinski v. The City of Allen Park, 169 F.3d 1001, 1003 (6th Cir. 1999) (noting that defendant must show unreasonable delay and prejudice to succeed with a defense of laches). Under these circumstances, the court shall not dismiss the complaint on these grounds.

Cross Motions for Summary Judgment

The parties agree that the case can be resolved on summary judgment, as the only question is one of law: whether defendant has violated the First Amendment by issuing revenue bonds to finance the construction project at the Sacred Heart Academy.

The starting point is the First Amendment itself, which states: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof" In dozens of cases, the Supreme Court has attempted to define the point at which state support of religious institutions, be it direct or indirect, financial or otherwise, violates the Establishment Clause. A review of the leading cases is instructive in determining whether defendant's actions in this particular case have crossed that point.

In Everson v. Board of Educ. of Ewing Township, 330 U.S. 1 (1947), a township resolution, adopted pursuant to a state statute, allowed the township to reimburse parents for money spent transporting their children to school on public buses. A taxpayer brought suit on the grounds that the resolution and statute violated the Establishment Clause insofar as they authorized reimbursement of bus fares for children attending parochial schools. In rejecting this argument, the Supreme Court stated:

New Jersey cannot consistently with the 'establishment of religion' clause of the First Amendment contribute tax-raised funds to the support of an institution which teaches the tenets and faith of any church. On the other hand, other language of the amendment commands that New Jersey cannot hamper its citizens in the free exercise of their own religion. . . . [W]e must be careful, in protecting the citizens of New Jersey against state-established churches, to be sure that we do not inadvertently prohibit New Jersey from extending its general State law benefits to all its citizens without regard to their religious belief.

Measured by these standards, we cannot say that the First Amendment prohibits New Jersey from spending tax-raised funds to pay the bus fares of parochial school pupils as a part of a general program under which it pays the fares of pupils attending public and other schools. . . . [The First Amendment] requires the state to be a neutral in its relations with groups of religious believers and non-believers; it does not require the state to be their adversary. State power is no more to be used so as to handicap religions, than it is to favor them.

Id. at 16-18 (emphasis added).

In Zorach v. Clauson, 343 U.S. 306 (1952), plaintiffs challenged a program in New York City whereby students were released during the school day to attend religious services for one hour per week. The Court concluded that the release time program did not violate the Establishment Clause because it "involves neither religious instruction in public school classrooms nor the expenditure of public funds." *Id.* at 308-309. The Court also stated:

We would have to press the concept of separation of church and State to these extremes to condemn the present law on constitutional grounds. . . . [W]e find no constitutional requirement which makes it necessary for government to be hostile to religion and to throw its weight against efforts to widen the effective scope of religious influence. The government must be neutral when it comes to competition between sects.

Id. at 313-14 (emphasis added). In McCollum v. Board of Educ., 333 U.S. 203 (1948), the Supreme Court had earlier invalidated a program whereby religious instructors were permitted to teach

religious courses in classrooms during regular school hours. This practice ran afoul of the Establishment Clause because "the state's tax-supported public school buildings [were] used for the dissemination of religious doctrines" and because the state assisted sectarian groups by "provid[ing] pupils for their religious classes through use of the state's compulsory public school machinery." Id. at 212.

In School Dist. of Abington Township v. Schempp, 374 U.S. 203 (1963), the Court found Establishment Clause violations in school districts where the school day was opened each day with readings from the Bible over the school intercom. The following test was articulated:

The test may be stated as follows: what are the purpose and the primary effect of the enactment? If either is the advancement or inhibition of religion then the enactment exceeds the scope of legislative power as circumscribed by the Constitution. That is to say that to withstand the strictures of the Establishment Clause there must be a secular legislative purpose and a primary effect that neither advances nor inhibits religion.

Id. at 222. The Court also noted: "In the relationship between man and religion, the State is firmly committed to a position of neutrality." Id. at 226.

In Board of Educ. v. Allen, 392 U.S. 236 (1968), the issue was whether the Establishment Clause was violated by a state statute that required local public school authorities to lend textbooks without charge to all students, including those attending parochial schools. The trial court declared the statute unconstitutional. The New York Court of Appeals reversed, finding the statute "completely neutral with respect to religion, merely making available secular textbooks at the request of the individual student and asking no question about what school he attends." Id. at 241. The Supreme Court noted that "the line between state neutrality to religion and state support of religion is not easy to locate. 'The constitutional standard is the separation of Church and State.

The problem, like many problems in constitutional law, is one of degree.” Id. at 242. The Court reaffirmed the test from Schempp, requiring that the challenged government action must have both “a secular legislative purpose and a primary effect that neither advances nor inhibits religion.” The Court concluded that this test was satisfied in the case of textbooks loaned to all students:

The express purpose of § 701 was stated by the New York Legislature to be furtherance of the educational opportunities available to the young. Appellants have shown us nothing about the necessary effects of the statute that is contrary to its stated purpose. The law merely makes available to all children the benefits of a general program to lend school books free of charge.

Id. at 243 (emphasis added). The Court also found it significant that only “secular books” were involved in this program. See id. at 244-45, 248.

In Walz v. Tax Comm’n of the City of New York, 397 U.S. 664 (1970), the Court upheld a decision of the New York Tax Commission to grant a property tax exemption to religious organizations for properties used for religious worship. Plaintiff argued that the exemption amounted to state support of religion in violation of the Establishment Clause. In rejecting this argument, the Court stated:

[F]or the men who wrote the Religion Clauses of the First Amendment the “establishment” of a religion connoted sponsorship, financial support, and active involvement of the sovereign in religious activity. . . .

[T]he basic purpose of these provisions . . . is to insure that no religion be sponsored or favored, none commanded, and none inhibited. . . .

Adherence to the policy of neutrality that derives from an accommodation of the Establishment and Free Exercise Clauses has prevented the kind of involvement that would tip the balance toward government control of churches or governmental restraint on religious practice.

Id. at 668-70.

In upholding the tax exemption, the Court first found that the legislative purpose was "neither the advancement nor the inhibition of religion; it is neither sponsorship nor hostility." Id. at 672. The tax exemption was granted to a broad class of non-profit entities, including hospitals, libraries, and scientific and professional groups, as well as religious organizations. Regarding "entanglement," the Court stated:

The test is inescapably one of degree. Either course, taxation of churches or exemption, occasions some degree of involvement with religion. Elimination of exemption would tend to expand the involvement of government by giving rise to tax valuation of church property, tax liens, tax foreclosures, and the direct confrontations and conflicts that follow in the train of those legal processes.

Granting tax exemptions to churches necessarily operates to afford an indirect economic benefit and also gives rise to some, but yet a lesser, involvement than taxing them. In analyzing either alternative the questions are whether the involvement is excessive, and whether it is a continuing one calling for official and continuing surveillance leading to an impermissible degree of entanglement.

Id. at 674-75. Applying this standard, the Court found no danger of excessive entanglement, as the granting of a tax exemption "creates only a minimal and remote involvement between church and state and far less than taxation of churches." Id. at 676.

In Lemon v. Kurtzman, 403 U.S. 602 (1971), the Court invalidated two statutes which provided state aid to parochial schools. One of the statutes paid a supplement to teachers of non-religious subjects, in order to raise their salaries to the level paid to public school teachers. Under the other statute, the state reimbursed parochial schools for textbooks and teacher salaries, but only for non-religious subjects. The Court stated:

Every analysis in this area must begin with consideration of the cumulative criteria developed by the Court over many years. Three

such tests may be gleaned from our cases. First, the statute must have a secular legislative purpose; second, its principal or primary effect must be one that neither advances nor inhibits religion; finally, the statute must not foster "an excessive government entanglement with religion."

Id. at 612-13. Regarding the third prong of the test, the Court indicated that "we must examine the character and purposes of the institutions that are benefitted, the nature of the aid that the State provides, and the resulting relationship between the government and the religious authority." Id. at 615. The Court determined that the statutes had a secular purpose, and found it unnecessary to decide whether their primary effect was to advance or inhibit religion. However, the Court invalidated the statutes on the grounds that they caused excessive entanglement between government and religion because the religious schools were required to provide a considerable amount of bookkeeping information to show that the state aid did not support any religious instruction. "A comprehensive, discriminating, and continuing state surveillance will inevitably be required to ensure that these restrictions are obeyed and the First amendment otherwise respected." Id. at 619.

In Hunt v. McNair, 413 U.S. 734, 736 (1973), the Court considered a state statute which created an Educational Facilities Authority "to assist institutions for higher education in the construction, financing and refinancing of projects . . . primarily through the issuance of revenue bonds." The EFA issued bonds for a Baptist college, which needed the money to refinance debt and to build a dining hall. A taxpayer sued, claiming that the issuance of the bonds violated the Establishment Clause. Applying the Lemon test, the Court found that the statute had a secular purpose because "[t]he benefits of the Act are available to all institutions of higher education in South Carolina, whether or not having a religious affiliation." Id. at 741. Regarding primary effect, the Court noted it had consistently rejected "the proposition that the Establishment Clause prohibits

any program which in some manner aids an institution with a religious affiliation" *Id.* at 742. The Court acknowledged that the Baptist college benefited from the lower interest payments on tax-exempt bonds, but noted that the college was not "pervasively sectarian," that there were no religious qualifications for faculty or students, and that the bond revenue would not be spent on "any buildings or facilities used for religious purposes." *Id.* at 743-44. In finding little danger of "excessive entanglement," one of the factors noted by the Court was that there was no realistic likelihood that the state bonding entity would make use of its power to inspect the college, to ensure that the funds were not being used for religious purposes, since no such inspection would occur unless the college defaulted on the loan. *Id.* at 747-49.

Committee for Public Educ. and Religious Liberty v. Nyquist, 413 U.S. 756 (1973), involved a challenge to three amendments to New York's Education and Tax Laws. The first provided grants to nonpublic, nonprofit schools for maintenance and repair of facilities. The second provided tuition reimbursements for parents of children attending nonpublic schools. The third allowed parents of children attending nonpublic schools to take a tax deduction for money spent on tuition. While all three amendments were found to have a secular purpose, they failed to pass muster under the second and third prongs of the Lemon test.

The Court determined that the maintenance and repair amendment had a primary effect of advancing religion because the funds under this program went almost entirely to Catholic schools and "[n]o attempt [was] made to restrict payments to those expenditures related to the upkeep of facilities used exclusively for secular purposes." *Id.* at 774. The tuition reimbursement amendment was invalidated on essentially the same grounds. Since such grants could not be given to the schools directly, they also could not be given indirectly, via the parents who were paying the

tuition. See id. at 780-83. The tax deduction amendment failed because the Court could find no practical difference between a direct reimbursement for tuition and a tax deduction for such expenses. The Court also noted that the benefits of this tax deduction "flow primarily to the parents of children attending sectarian, nonpublic schools." Id. at 794. This factor distinguished Walz, which involved a property tax exemption that "covered all property devoted to religious, educational, or charitable purposes." Id.

In Roemer v. Board of Pub. Works of Maryland, 426 U.S. 736, 739 (1976), plaintiffs challenged a state statute that provided "annual noncategorical grants to private colleges, among them religiously affiliated institutions, subject only to the restrictions that the funds not be used for 'sectarian purposes.'" The grants were available to any accredited private college in Maryland, except those which award "only seminarian or theological degrees." Id. at 740. In finding no Establishment Clause violation, the Court stated:

[R]eligious institutions need not be quarantined from public benefits that are neutrally available to all. . . . Everson and Allen put to rest any argument that the State may never act in such a way that has the incidental effect of facilitating religious activity. The Court has not been blind to the fact that in aiding a religious institution to perform a secular task, the State frees the institution's resources to be put to sectarian ends. If this were impermissible, however, a church could not be protected by the police and fire departments, or have its public sidewalk kept in repair. The Court never has held that religious activities must be discriminated against in this way.

Neutrality is what is required. The State must confine itself to secular objectives, and neither advance nor impede religious activity.

Id. at 747 (emphasis added).

In Mueller v. Allen, 463 U.S. 388 (1983), the Court upheld a state statute that permitted taxpayers to deduct amounts paid for tuition, textbooks and transportation, incurred in

sending their children to any elementary or secondary school. The Court found the statute to have a clearly secular purpose – namely, “ensuring that the State’s citizenry is well educated” and “assuring the continued financial health of private schools, both sectarian and nonsectarian.” *Id.* at 395. The primary effect of the statute was not to advance religion because the tax deduction was only one of many available under the state tax code and, “importantly, the deduction is available for educational expenses incurred by all parents, including those whose children attend public schools and those whose children attend nonsectarian private schools or sectarian private schools.” *Id.* at 397. “As *Widmar* and our other decisions indicate, a program . . . that neutrally provides state assistance to a broad spectrum of citizens is not readily subject to challenge under the Establishment Clause.” *Id.* at 398-99.

More recently, in *Zobrest v. Catalina Foothills Sch. Dist.*, 509 U.S. 10 (1993), the Court held that the Establishment Clause is not violated when the state provides a sign language interpreter for a deaf student attending a sectarian school. The Court noted: “[W]e have consistently held that government programs that neutrally provide benefits to a broad class of citizens defined without reference to religion are not readily subject to an Establishment Clause challenge just because sectarian institutions may also receive an attenuated financial benefit.” *Id.* at 8.

Against the backdrop of this long line of Supreme Court precedent, the court concludes that no Establishment Clause violation has occurred in this case. The issuance of revenue bonds by the Oakland EDC, to finance Sacred Heart’s construction project, easily passes all three prongs of the Lemon test. The statute creating EDC, as well as the Oakland EDC’s bylaws, have a clearly secular purpose; the primary effect of the bond-issuing activity is to neither advance nor inhibit religion; and the issuance of the bonds does not give rise to a risk of excessive entanglement

between government and religion.

In applying the Lemon factors to this case, first it is clear that the EDC Act has a secular purpose. The purposes of the statute are set forth at length at M.C.L. § 125.1602. These include alleviating unemployment by encouraging and assisting industrial and commercial enterprises. The parties stipulate that the statute was enacted for these purposes, and that "[t]he Oakland EDC was created pursuant to the terms of the EDC Act for the purposes set forth in the Act." Joint Stipulation of Facts, ¶¶ 4, 10. The Supreme Court has repeatedly indicated that a legislature's stated purpose is to be taken at face value in the absence of a showing of bad faith. See Hunt, 413 U.S. at 741; Nyquist, 413 U.S. at 773; Lemon, 403 U.S. at 613. Plaintiff has not shown that the stated purposes of the EDC Act or of the Oakland EDC itself should be questioned.

Nor can it be said that the primary effect of the EDC Act or of the bond issuance at issue in this particular case is to promote or inhibit religion. First, it is important to note that any commercial or industrial enterprise may apply to the Oakland EDC for assistance; the religious affiliation, if any, of the applicant, is completely irrelevant and not considered. Indeed, the parties have stipulated that "the Oakland EDC acted without regard to the religious affiliation of the Academy." Joint Stipulation of Facts, ¶ 37. In the cases summarized above, the Supreme Court has repeatedly indicated that a general program which makes assistance available to a broad spectrum on a religiously neutral basis ordinarily is not subject to an Establishment Clause challenge. Reimbursement of bus fares, the loaning of textbooks, the granting of property tax exemptions, the provision of grants and bond revenue, and the allowance of tax deductions for school expenses, all have survived such a challenge because these forms of assistance were not directed specifically toward sectarian institutions. Rather, in each case the assistance was directed toward a broader

group, and sectarian institutions benefitted only incidentally or on a neutral basis along with other beneficiaries of the state action.

This is precisely the kind of program at issue in this case. Neither the EDC Act nor the Oakland EDC articles of incorporation mention religion or religiously affiliated institutions. The Oakland EDC approved the academy's renovation project without any consideration of the academy's affiliation with the Catholic Church. As the parties have stipulated, the Oakland EDC has approved 56 applications from 1980 to 1998, for projects running the gamut from new construction of shopping centers and medical offices to renovations of schools and retail space. As the Court stated in Roemer, "religious institutions need not be quarantined from public benefits that are neutrally available to all." 426 U.S. at 717.

It is also significant that none of the funds at issue in this case supported sectarian aspects of the academy. The parties have stipulated that the funds were used to construct an addition to the academy's lower school, to renovate and improve the science wing, and to renovate other existing facilities, such as telephone equipment and the intercom system; "[t]he Project did not include any construction, renovation or improvement of the Academy's chapel." Joint Stipulation of Facts, ¶ 24. The funds were not used to pay for religious books, teacher's salaries, or student tuition. In Hunt the Supreme Court noted that the bond revenue in that case would not be spent on "any buildings or facilities used for religious purposes." 413 U.S. at 744.

The Court also finds it significant that the funds at issue in this case did not take the form of a grant or loan of tax-raised money. Instead, one hundred percent of the funds came from private investors. Joint Stipulation of Facts, ¶ 40. The Oakland EDC served merely as a conduit -- that is, defendant simply provided a means by which private investors could finance the project. Not

a single penny of the funds came from any state, county, or municipal source, and no public entity has any obligation whatsoever in connection with the sale or purchase of these limited obligation bonds. Id. ¶ 35, 38, 43. The application fees paid by the academy more than reimbursed the Oakland EDC for the administrative expenses incurred in processing the application. Id. ¶¶ 55, 56. And the academy is responsible for repaying all of the principal and interest. Id. ¶ 42. These facts distinguish the instant matter from the “maintenance and repair” amendment found objectionable in Nyquist and more closely resemble those in Hunt, which upheld similar funding for the construction of a dining hall at a sectarian institution. Plaintiff argues that the arrangement amounts to a direct subsidy of the academy because the State of Michigan and the federal government cannot collect income taxes on the interest paid on bonds authorized by an EDC. In both Walz and Hunt, however, the same argument was raised and rejected. In both cases, the Supreme Court indicated that such “indirect costs” — whether occasioned by granting a property tax exemption or by funding a project through the sale of tax-exempt bonds — does not suffice to show a primary effect of advancing religion when the loss of revenue occurs as a result of providing a general benefit to a broad class of recipients under a religiously neutral government program. The same reasoning applies here.

Plaintiff does not argue that either the EDC Act or the issuance of the revenue bonds in this case poses any risk of “excessive entanglement” between government and religion. Nor does the court believe that any such argument could be made. The religious affiliation of the academy played no role in defendant’s review of the academy’s application, see Joint Stipulation of Facts, ¶ 37; and plaintiff does not contend, or present any evidence to suggest, that any applicant’s religious affiliation has ever been considered by Oakland EDC or by any other economic development corporation in Michigan. Defendant’s only contact with the academy was to process its application.

See Joint Stipulation of Facts, Exhibit 3. Defendant does not monitor the academy's payments under the loan agreement. Id. ¶ 47. Under these circumstances, there is no danger of "official and continuing surveillance leading to an impermissible degree of entanglement." Walz, 397 U.S. at 675.¹

For these reasons, the court concludes that defendant has not violated the Establishment Clause by approving the limited obligation revenue bonds in this case. The statute and the bond issuance have no religious purpose. They do not have a primary effect of promoting religion. And there is no danger of "excessive entanglement" between the state and religion. Accordingly, the court shall grant defendant's motion for summary judgment and deny plaintiff's motion for summary judgment insofar as the second amended complaint asserts a violation of the First Amendment to the United States Constitution. However, the court shall declare only that defendant did not violate the Establishment Clause on the specific facts of this particular case. The court expresses no opinion as to the constitutionality of any other projects which may have been funded, or which may be funded in the future, by defendant Oakland EDC or by any other EDC acting under the authority of the EDC Act.

Plaintiff also claims that the issuance of the bonds in this case violated the EDC Act because the statute only authorizes financing of projects for industrial or commercial enterprises, and

¹ To the contrary, it seems clear that government and religion would become much more entangled if EDCs were required to deny funding to any religiously affiliated institution. If this were the case, EDCs would have to examine each application in an effort to identify those with any religious affiliation. This would also enhance the risk of discriminating against sectarian institutions in violation of the Free Exercise Clause. The Supreme Court has repeatedly called for government to be neutral in its treatment of religion. This goal is best served by permitting EDCs to evaluate applications without regard to the religious affiliation, if any, of the applicant, and to allow the EDCs to focus instead on the purely secular aspects of the proposed project in each case.

not schools. In addition, plaintiff alleges that the issuance of these bonds violates Article 8, Section 2, of the Michigan Constitution, which prohibits the appropriation of public monies, or the use of public credit, to "aid or maintain any private, denominational or other nonpublic pre-elementary, elementary or secondary school."

The court must dismiss these claims for lack of subject matter jurisdiction. Under 28 U.S.C. § 1367(c), the court "may decline to exercise supplemental jurisdiction over a claim if . . . (3) the district court has dismissed all claims over which it has original jurisdiction." In this case, the court has original subject matter jurisdiction only over plaintiff's First Amendment claim. The other two claims are pure state law issues. The Supreme Court and the Sixth Circuit have repeatedly indicated that a district court should dismiss the state claims once the federal claim is resolved. For example, in Williams v. City of River Rouge, 909 F.2d 151, 157 (6th Cir. 1990), the court stated:

Where an action in federal court includes both federal and pendent state claims and the court dismisses the federal claims before trial on a motion for summary judgment, the pendent state claims are ordinarily dismissed as well. Pendent jurisdiction is a doctrine of discretion. In this case, the federal constitutional claims, which formed the basis for federal jurisdiction over the case, were properly dismissed by summary judgment before trial. Consequently, the contract claims will be dismissed. Moreover, the contract claims require interpretations of the City Charter of River Rouge and of Michigan contract law, questions more properly addressed by the Michigan courts. Therefore, the dismissal will be without prejudice.

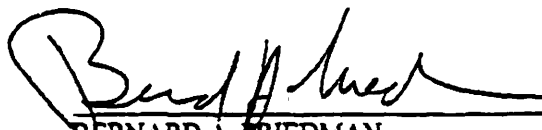
See also Carnegie-Mellon Univ. v. Cohill, 484 U.S. 343, 350 (1988) ("[W]hen the federal-law claims have dropped out of the lawsuit in its early stages and only state-law claims remain, the federal court should decline the exercise of jurisdiction by dismissing the case without prejudice."); United Mine Workers of Am. v. Gibbs, 383 U.S. 715, 726 (1966) ("Needless decisions of state law should be

avoided both as a matter of comity and to promote justice between the parties, by procuring for them a surer-footed reading of applicable law. Certainly, if the federal claims are dismissed before trial, even though not insubstantial in a jurisdictional sense, the state claims should be dismissed as well."'). For these reasons, the pendent claims should be dismissed. As a matter of comity and federalism, it is more appropriate for Michigan courts to interpret the Michigan statute and the Michigan constitutional provision at issue.

Accordingly,

IT IS ORDERED that defendant's motion for summary judgment is granted and plaintiff's motion for summary judgment is denied as to plaintiff's First Amendment claim. The court hereby DECLARES that defendant's issuance of limited obligation revenue bonds in connection with the Academy of the Sacred Heart project at issue in this case did not violate the Establishment Clause of the First Amendment to the United States Constitution.

IT IS FURTHER ORDERED that plaintiff's remaining claims are dismissed, without prejudice, for lack of subject matter jurisdiction.



BERNARD A. FRIEDMAN
UNITED STATES DISTRICT JUDGE

Dated: JUNE 29 1999
Detroit, Michigan

CLOSED

JUN 29 1999

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WALTER JOHNSON,

Plaintiff,

Civil Action No.
98-CV-71672-DT

vs.

HON. BERNARD A. FRIEDMAN

THE ECONOMIC DEVELOPMENT
CORPORATION OF THE COUNTY
OF OAKLAND,Defendant.

J U D G M E N T

The court has granted defendant's motion for summary judgment and denied plaintiff's motion for summary judgment as to plaintiff's First Amendment claim. Accordingly,

IT IS ORDERED AND ADJUDGED that judgment be and is hereby granted for defendant and against plaintiff on plaintiff's First Amendment claim. Costs to be permitted in accordance with law.

JOHN P. MAYER
CLERK OF COURTBy: Carolyn D'Orazio
Deputy ClerkApproved: Bernard A. Friedman
BERNARD A. FRIEDMAN
U.S. DISTRICT JUDGE

JUN 29 1999



COMMONWEALTH of VIRGINIA

Gordon K. Davies
Director

COUNCIL OF HIGHER EDUCATION
James Monroe Building, 191 North Fourteenth Street, Richmond, Va. 23219

(804) 225-2137
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December 10, 1992

Dr. A. Pierre Guillermin
President
Liberty University
Box 20000
Lynchburg, Virginia 24506-8001

Dear Pierre:

As you know, the Council of Higher Education at its meeting December 8, 1992, unanimously adopted a statement affirming the eligibility of students at Liberty University to receive Tuition Assistance Grants. A copy of that statement is enclosed.

The Council's conclusion that Virginia students attending Liberty University (other than students in the School of Religion) should continue to receive grants (paragraph 4 of the statement) was based on representations by Liberty University that certain university requirements are no longer enforced (paragraph 3). The Council called for the university to act promptly to revise its publications to reflect these representations and promptly inform its faculty and students about current policies and procedures consistent with these representations (paragraph 5).

Council Chairman Hugh L. Patterson asked that you submit to the Council, by no later than January 31, 1993, written confirmation that the university's requirements cited in paragraph 3 of the statement are indeed no longer in force and that the university will act promptly to revise its publications to reflect those changed policies. I shall call you early in the new year to learn whether Liberty University will comply with the Chairman's request.

Sincerely,



Gordon K. Davies

Enclosure

cc: Hugh L. Patterson
Paul Forch

IN RE: Liberty University

Early in 1992, questions were raised about the eligibility of students at Liberty University to receive Tuition Assistance Grants in light of the Virginia Supreme Court's findings in Habel v. Industrial Development Authority. The Council staff began collecting information and on July 14, 1992, the Council of Higher Education conducted a hearing concerning the eligibility of Liberty University students to receive Tuition Assistance Grants. Liberty University and Americans United for Separation of Church and State appeared before the Council. Both groups were represented by counsel and both submitted written position papers and voluntarily provided additional information to the Council. All filings have been reviewed by the Council staff and reported to the Council. The staff has visited the university; interviewed administrators, faculty, and students; examined student and faculty personnel files; and observed activities of students and faculty. During interviews, the chancellor and the president of the university made representations to the staff and to a subcommittee of the Council that certain statements and requirements reflected in University publications are not being and will not be enforced.

The Council has reached the following conclusions:

1. The Tuition Assistance Grant program is intended by the Virginia General Assembly to assist individual Virginia students to obtain higher education at an independent Virginia institution of their choice. The students at Liberty University are offered an undergraduate education that is similar to that offered by other independent institutions in Virginia. It is in the best interests of the State for these students to continue to receive Tuition Assistance Grants unless the Council is prohibited from making these grants by Virginia statute or by the provisions of the constitutions of Virginia and the United States.
2. Section 23-38.12 of the Virginia Code, which the Council administers, authorizes tuition assistance "to or on behalf of bona fide residents of Virginia who attend private, accredited and nonprofit institutions of collegiate education in the Commonwealth whose primary purpose is to provide collegiate, graduate or professional education and not to provide religious training or theological education." Article VIII, Section 11 of Virginia's constitution authorizes the aforesaid. On January 11, 1991, the Supreme Court of Virginia in Habel v. Industrial Development Authority, 241 Va. 96 (1991), decided that Liberty University was not eligible for tax exempt financing after identifying practices in conflict with certain provisions of the Virginia and United States Constitutions. Article VIII, Section 11 of Virginia's constitution was not at issue. The Council also recognizes that tax-exempt financing directly benefits the institution and is separate and distinct from a general, statewide program whose direct beneficiaries are individual students.
3. Liberty University officials have represented that certain Liberty University requirements are no longer enforced. These requirements included compulsory

attendance by faculty and students at religious services and convocations; a signed statement by faculty and students that they agree to respect, support and abide by Liberty University's doctrinal position and statement of purpose; and restrictions on the freedom of faculty to teach and publish materials that conflict with Liberty University's doctrinal position. The Council staff confirmed these representations during its visits to the university.

4. In view of the representations by Liberty University officials and the review of those representations by the Council and its staff, the Council concludes that Liberty University is a qualified private institution as described in Title 23-38.12 of the Virginia Code whose primary purpose is to provide collegiate, graduate, or professional education and not to provide religious training or theological education. Virginia students attending Liberty University (other than students in the School of Religion) should continue to receive grants.
5. Section 1.3.E of the Council's approval regulations (VR 380-02-01) requires that Virginia institutions of higher education represent accurately their requirements, policies, and procedures in all of their publications. Liberty University is advised that it must promptly reconcile its publications with its recent representations to the Council and the confirming observations of actual behavior by the Council and its staff. The university must also promptly inform its faculty and students about its current policies and procedures consistent with these representations. Failure to do so will require reconsideration of this issue by the Council.

Adopted unanimously by the Council of Higher Education
December 8, 1992