

University of Central Missouri
Board of Governors
Teleconference Meeting (Open)
November 11, 2013

The University of Central Missouri (UCM) Board of Governors convened via teleconference on Monday, November 11, 2013. The call, which originated from ADM 204 on UCM's main campus, was presided over by Board President Marvin E. Wright. Participating by phone were Governors Marvin E. Wright, Walter Hicklin, Mary Long, Gus Wetzel II, and John Collier. Participating from ADM 204 were Governors Weldon Brady, Mary Dandurand, and Kyle Shell. Also participating from ADM 204 were University President Charles Ambrose; General Counsel Henry Setser; Vice President for Finance John Merrigan; Assistant Secretary to the Board Monica Huffman; and Susan Brockhaus and Jeff Murphy. David Queen of Gilmore & Bell and Janet Laney of Piper Jaffray participated by phone.

Call to Order – Agenda Item No. 1

Mr. Wright called the meeting to order and asked Ms. Huffman to take the roll. He then determined that a quorum was present to conduct business.

Series 2013A/2013B/2013C Bonds – Agenda Item No. 2

Dr. Ambrose thanked the leadership teams of UCM, Gilmore & Bell and Piper Jaffray for all of the work they have done leading up to today's recommendation. He then asked Mr. Merrigan to present the background information for the Series 2013 bonds.

Mr. Merrigan reviewed the terms of the bond proposals that were summarized in a table on page 3 of the Board Briefing paper and related Mixed-Use Facility Pro-Forma that was previously distributed to the Board (Attachment).

Mr. Merrigan stated there are three bond issuances Series A for the Student Recreation Center Refinancing, Series B for the Walton Stadium Improvements and Series C for the Mixed Use Facility. In addition, Series B and C will have two subseries, Series B-1 and C-1 for the private placement and Series B-2 and Series C-2 for the public offering.

Mr. Merrigan said in September, Piper Jaffray bid the Series B-1 and C-1 private placement bonds receiving eleven bids from the banking community. Clayton Holdings (a subsidiary of Commerce Bank) and US Bank were the two bid finalists. After further negotiations with Clayton Holdings and US Bank, Clayton Holdings provided the lowest interest rates and the best and final offer terms for the Series A, Series B-1 and Series C-1 bonds.

The interest rate will be 2.32% for the Series A – Student Recreation Refinancing bonds that have a par amount of \$16,275,000. Mr. Brady asked what the original interest rate was for this bond. Mr. Merrigan said it was originally 4.63% and will be reduced to 2.32% by refinancing the bond. Mr. Merrigan added that with growing enrollment, UCM has collected

increased student fees related to the \$7 per credit hour fee that services the debt. As a result UCM can increase the annual debt service payment from approximately \$1.57 million annually to \$1.8 million annually. Also due to approximately \$2 million in construction savings related to the Student Recreation Center, UCM can apply the \$2 million to the existing outstanding bond principal. The combination of the lower interest rate, increased annual debt service payment, and application of \$2 million towards the outstanding principal will save the University \$4.7 million over the remaining life of the bond and shorten the original maturity six years from 2029 to 2023.

Mr. Merrigan discussed the Series B-1 and B-2 Stadium Improvement bonds with a par amount of \$6,095,000. With regard to the Series B-1 Bonds, Clayton Holdings waived any prepayment penalties if UCM receives donor contributions that can be applied against the outstanding principal of these bonds. The Clayton Holding interest rate is 2.63% which includes five additional basis points to lock in the rate. The Series B-2 bonds will be priced the week of November 18 and sold publically.

Mr. Merrigan discussed the Series C-1 and C-2 bonds for the Mixed-Use Facility, which have a par amount of \$50,450,000 for the construction of the Mixed-Use Facility. He said the interest rate will be 2.53% for the Series C-1 Mixed Use Facility bonds that have a par amount of \$16,605,000. There will be a prepayment penalty of 3% in year 1, 2% in year 2, and 1% in year 3 and years thereafter. The maturity date for both Series B-1 and Series C-1 will be October 1, 2033 (20 year bond). The Series C-2 bonds (par amount \$33,845,000) will be priced the week of November 18 and sold publically.

After reviewing the terms of all bonds, Mr. Merrigan stated that management is recommending placement of Series 2013A, Series 2013B-1, and Series 2013C-1 bonds with Clayton Holdings, and placement of any remaining par amount for the Series 2013B-2 and Series 2013C-2 bonds through a public offering that will be managed by Piper Jaffray. He said that this has been a strong team effort and thanked Ms. Laney of Piper Jaffray, Mr. David Queen and Scott Waller of Gilmore and Bell, Hank Setser, and Susan Brockhaus for all of their work.

Mr. Brady asked what the risk is with regard to the interest rate in a public offering. Ms. Laney said that direct placement can be locked in, but the public offering is subject to the interest rate fluctuations between now and the week of November 18 when the Series B-2 and Series C-2 bonds will be priced. Anticipated closing for the publicly offered bonds is December 3.

Ms. Laney said that she is confident that the bonds will be well received in a public offering. She added that Standards & Poor's recently issued a report that gave UCM an 'A' rating, and attributed this to UCM surpassing census trends and increasing its enrollment, as well as to UCM's financial resources. Ms. Laney noted that Standards & Poor's did caution that without a commensurate increase in revenue and due to the current size of our endowment, the University will have limited additional debt capacity for the issuance of new bonds and that Standard and Poor's would consider a negative rating action

Mr. Wright asked if the Resolution the Board is being asked to approve has received the approval of all parties. Mr. Setser said it had, and noted that the signature block was changed to reflect the Secretary of the Board (rather than the Board President) to allow for an immediate signature by Governor Dandurand who was physically present at the meeting.

President Ambrose and Mr. Brady met with Gould Evans last week to review revisions to the design of the Mixed-Use Facility. Gould Evans will be prepared to present these designs to the full Board at its November meetings. Mr. Brady asked when the contract with the design builder McGowan Gordon will be signed. Mr. Setser said today. President Ambrose said that Gould Evans is continuing to negotiate the price of the final design and that opportunity remains for the Board to have continued oversight of the project/design.

Mr. Collier moved that the Board of Governors adopt a Board Resolution authorizing the issuance of the Series 2013A Bonds, the Series 2013B Bonds, and the Series 2013C Bonds in an aggregate principal amount not to exceed \$75 million. The motion was seconded by Ms. Dandurand and carried with the following roll call vote:

<i>Walter Hicklin</i>	<i>aye</i>	<i>Weldon Brady</i>	<i>aye</i>
<i>John Collier</i>	<i>aye</i>	<i>Mary Long</i>	<i>aye</i>
<i>Mary Dandurand</i>	<i>aye</i>	<i>Marvin E. Wright</i>	<i>aye</i>
<i>Gus Wetzel II</i>	<i>aye</i>		

In closing, Mr. Wright and President Ambrose expressed deep appreciation for the work of everyone involved in this initiative.

Adjournment – Agenda Item No. 3

Mr. Brady moved that the meeting adjourn. The motion was seconded by Mr. Collier and carried with the following roll call vote:

<i>Walter Hicklin</i>	<i>aye</i>	<i>Weldon Brady</i>	<i>aye</i>
<i>John Collier</i>	<i>aye</i>	<i>Mary Long</i>	<i>aye</i>
<i>Mary Dandurand</i>	<i>aye</i>	<i>Marvin E. Wright</i>	<i>aye</i>
<i>Gus Wetzel II</i>	<i>aye</i>		

The meeting adjourned at 9:25 a.m.