

Frank Phillips College
Board of Regents
Special Meeting
June 23, 2009

Present: Conny Moore, Roy Young, Bill Cornelius, Sandra Hilbert, and Odis McClellan. Absent: Ed Quiros, Scott Radach, and Steve Williams.

Others

Present: Jud Hicks, Shannon Carroll, Becky Green, Lew Hunnicutt, and Gloria Rummel.

Call to Order: Mr. Moore called the meeting to order at 12:25 p.m. Mr. Young presented the invocation.

Continuation of Phase II BCAC Financing:

Mr. Moore explained that today's agenda was one item: Continuation of Phase II BCAC Financing. In 2004 the Phase II BCAC renovation was financed through Wells Fargo Bank with a note balance of \$446,774.00. The original intent was to finance the note at ten years; however, at the suggestion of Wells Fargo representative, Joe Frank Wheeler, the note was amortized over ten years with a five-year balloon payment, which was to the College's benefit. This note is due in August 2009. The original note was secured with a \$450,000.00 CD, which matures in June 2009.

In continuation of the original intent to finance Phase II BCAC renovations, the administrative cabinet is proposing to secure a five-year note on the remaining balance of \$371,727.94 for a five-year note at an interest rate of 5%. In addition a \$372,000.00 CD will be purchased to secure this note at an interest rate of an estimated 2.10%, with a two-year maturity. It is the intent upon maturity of the two-year CD the college will purchase an additional CD from Wells Fargo for an amount equal to the loan balance for the remainder of the three-year note.

Dr. Hicks noted that the approximate balance on the note is \$371,727.94, if the note is paid now rather than in August when it is due.

Mr. Moore asked how if the note only decreased by approximately \$100,000 in the last five years, how it was possible to pay it off in five years. Dr. Hicks explained that it was because of the amortization schedule.

Dr. Hicks noted that the June 15th payment on the note was \$5085.76. He also provided the various monthly amounts that the new note would be according to the interest charged, i.e. a 5% note would require a \$7,014 per month payment and a 3.75% note would require a \$6,804 per month payment. He added that more interest was earned on the CD than the interest we were paying on the note.

In answer to a question from Mr. McClellan, Dr. Hicks explained that the banks were not leaning toward a particular option, they simply provided the College with what they had available. A five-year note would zero out the note.

Mr. Moore asked if we took a note for less than five years, would the lending institution guarantee the rate. Dr. Hicks answered, he did not know for sure, but probably not.

Mr. McClellan asked if the best offer was from Herring Bank. Dr. Hicks said based on the spread between the loan interest rate and the CD interest, yes.

Mr. Cornelius moved that the College finance the Phase II BCAC Renovation through Herring Bank's Option Two and open an account at Herring Bank specifically for this purpose. Mr. Moore asked if there was further discussion. There was none. The motion was seconded by Ms. Hilbert and was unanimously accepted. (Herring Bank's option two: Five-year CD rate of 2.75% and a loan rate of 3.75% for five years.)

Retreat: Mr. Moore reminded members that the next meeting would be the Annual Retreat on Friday, July 31, beginning at 5:00 p.m. in the A&I Conference Center. He suggested that if there was any specific information that members would like to discuss to relay those requests to Dr. Swender to help facilitate coming away from the Retreat with the information that was needed.

Mr. Moore asked Dr. Hicks to provide a schedule of all debt schedule payments to be included with Retreat documents.

Adjournment: There being no further business, the meeting was adjourned at 12:55 p.m.