Tips for a Productive Meeting with Moody’s Higher Education and Not-for-Profit Ratings Team

This publication provides answers to some frequently asked questions about how to prepare for and structure a successful meeting with Moody's Higher Education and Not-For-Profit Ratings Team. These guidelines are based on what has worked well in the past, but are not requirements that are set in stone. Our goal is for the meeting time to be as productive and efficient as possible, so that Moody's analysts gain a full understanding of your organization and gather the necessary information to assess the institution's credit profile. We welcome your feedback on how we can improve the rating process and encourage you to contact us if you have any comments or questions.

WHEN IS AN IN-PERSON MEETING APPROPRIATE?

Moody's analysts often conduct surveillance on our existing ratings via a telephone call with select members of the organization's management team. However, there are specific situations when an in-person meeting may be particularly beneficial to the rating process. These include:

- When Moody's is assigning a rating to an organization for the first time (initial rating)
- When the organization's borrowing plans are very large or complex
- When the borrowing is for an unexpected or unusual project
- When there have been significant positive or negative changes in market position or financial health that could potentially result in a rating or outlook change
- When Moody's has not met with the management team or visited the campus in several years, particularly if there have been changes in high-level management positions or construction of noteworthy capital projects

Depending on logistics and scheduling preferences, an in-person meeting can take place at the borrower's campus or facilities, at the investment banker or financial advisor's offices, at Moody’s main office in New York, or at one of our regional offices in San Francisco, Chicago, Dallas, or Boston. For initial ratings, however, we prefer to meet on campus or in the organization's current facilities, particularly when these facilities play an important role in the organization's market position.

Also, when Moody's analysts are traveling in an area on other business, they may contact nearby institutions to arrange an in-person meeting, if scheduling allows. Conversely, when members of an institution's management team are in the New York area, they should not hesitate to contact us to arrange a meeting at Moody's offices. While Moody's certainly welcomes full participation from the institution's senior management at these meetings, we also welcome shorter, more topical meetings with just the representatives from the financial leadership team.
WHO SHOULD ATTEND THE MEETING?

In our experience of meeting with hundreds of higher education and not-for-profit institutions over the years, we have found that including a large number of seven or more participants is not necessarily the key to a successful meeting. In many cases, meeting with a smaller group of representatives, who are well informed about the organization’s strategy, finances, and market position, is more productive and efficient.

On-site visits conducted at the college campus or at the not-for-profit's facilities are usually most productive when the following officials, or their title equivalents, participate in the discussion:

- Chief Financial Officer and, if applicable, other senior financial officer who has responsibility for debt issuance and credit ratings
- President
- Board Member (especially Board Chair or Chair of Finance Committee)
- Vice President for Admissions/Enrollment Management (for colleges and universities)
- Vice President for Development
- Chief Investment Officer (or other staff or board member who can best discuss endowment management and investment performance)

Some of the suggested officials may not be required if the officials present at the meeting can provide the update for the institution. The inclusion of other representatives (for example, Provost, Controller, General Counsel, Budget Director, other management team members) is optional and only needed if they can best address specific credit discussion topics on the agenda. Institutions with specialized activities that make up a significant component of revenue, such as research or patient care, should also include appropriate representatives who can discuss the financial implications of the institutions’ activities in these areas. Public institutions, or organizations that receive significant state or local support, may also wish to include a Vice President for Government Relations.

In some cases, we find it especially helpful to have one or more members of the governing board participate in the meeting. Many small organizations rely heavily on board members for oversight of finances, investments, fundraising, and capital plans, and their perspective is valuable in gaining an understanding of these areas. Board members can also play a key role in communicating with us when an institution is going through a financially difficult period, a major change in mission, or a change in Presidential leadership.

Some institutions prefer that all of the individual participants remain present for the entire meeting. However, we have also found that separate short sessions (30 to 45 minutes, depending on the topic) with these individual managers are sometimes more effective. Usually, the Chief Financial Officer or other lead contact remains present throughout these separate sessions.

WHEN SHOULD THE MEETING TAKE PLACE?

For meetings that are tied to a bond issue, we typically request that meetings take place at least a few weeks before the rating is needed, in order to allow time for follow-up discussion after the meeting and to provide issuers and their financial advisors with the best service. For standard bond issues, where the issuer is a relatively frequent borrower, Moody's can typically complete the rating review within two weeks after the meeting, particularly if we have received legal documentation and other relevant information in advance of the meeting. For first-time (initial) ratings or more complex transactions, the institution may wish to schedule the meeting three to five weeks in advance of when the rating is needed.

In most cases, at least two Moody’s analysts will attend in-person meetings. In light of our active travel schedules, sufficient lead time in planning meetings can avoid scheduling difficulties. We have found that scheduling meetings at least three to four weeks in advance of the anticipated meeting date is most efficient. Also, we find it best for the institution, in consultation with its financial advisors, to identify several alternate meeting dates in case the first-choice date proves difficult to schedule with the appropriate Moody’s analysts.

HOW SHOULD THE MEETING FLOW?

There is no set formula for the perfect order of discussion topics. However, it is usually helpful for the President or other major officer to begin with the “big picture” overview, including long-range strategic plans and priorities for the institution (approximately 20-30 minutes). A Board Member can also contribute to the big picture discussion by commenting on the organization’s strategy, mission, and governance. With that framework set, the discussion can then move into more of the specifics on market position, fundraising, overall financial health of the institution, and borrowing plans. At the end of this publication, we have included a list of general discussion topics for college and university
site visits, to assist borrowers in preparing for the meeting. Many of these topics are also relevant for other kinds of not-for-profit borrowers.

The discussion portion of the meeting typically lasts approximately 2 hours, depending on how recently we last reviewed the organization's credit profile and the significance of any changes that have occurred since our last review. For first time ratings, the meeting may be longer, lasting from 3-4 hours.

For on-site meetings, a campus or facilities tour helps Moody's analysts to assess the condition of the physical plant and its appeal to potential students or visitors. These tours should give a general sense of the campus layout and may include stops in key buildings such as the student union, a research facility, or a recreation facility, for a higher education institution, or exhibition and performance areas for a cultural institution. If the bond issue to be rated provides financing for a major capital project, the tour should include a visit to the site and description of the facility. The tour typically should take less than an hour. Often the tour takes place after the formal meeting. However, we have found that scheduling the tour before the meeting is often more effective, allowing Moody's analysts to view the campus and facilities before discussing capital needs and borrowing plans later in the day.

The best meetings are those that have an agenda to help guide the conversation, but also allow for open dialogue throughout the meeting between the issuer and Moody's. A formal, prepared presentation is not mandatory, although relevant discussion material is usually helpful. Also, Moody's analysts want to understand management's view of its organization's strengths and challenges. Discussion of challenges and management's strategies for addressing them, along with strengths, leads to a more balanced understanding of the institution.

WHAT CAN BE DONE BEFORE AND AFTER THE MEETING TO FACILITATE THE RATING PROCESS?

Before the meeting:

- If possible, send presentation materials to Moody's analysts at least a week in advance of the meeting to allow time for preparation.
- Send current financial statements/audits or interim financial reports, if available.
- Send drafts of all legal documentation related to the transaction, including loan agreement, indenture, preliminary official statement including borrower disclosure appendices, and swap documents or liquidity agreements, if applicable.
- Send list of meeting attendees and their titles.
- Keep us updated on the transaction's timeline, and inform us when you will likely need the rating to be published.

After the meeting:

- In many cases, Moody's analysts will save detailed financial questions for a post-meeting follow-up call with the chief financial officer, budget director, and/or controller.
- Moody's analysts will likely request additional pieces of follow-up information which were not readily available during the meeting.

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<tr>
<th>Initial Rating? What to send before the meeting for first-time ratings:</th>
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<tr>
<td>• A minimum of five years of audited financial statements</td>
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<td>• Completed Supplemental Information Form (Moody's will provide the form)</td>
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<tr>
<td>• A minimum of five years of enrollment and student demand data (or visitor and membership data for cultural institutions and membership organizations)</td>
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<td>• Draft legal documents for the borrowing if available, including Preliminary Official Statement and Appendix A</td>
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<td>• Signed rating application</td>
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College and University Discussion Topics

BIG-PICTURE OVERVIEW:
- History and mission
- Strategic goals
- Latest academic or research initiatives
- Recent staff changes, if any
- Challenges and emerging issues

ENROLLMENT AND STUDENT DEMAND:
- Enrollment trends, graduate and undergraduate
- Geographic breakdown of student body
- Applications, acceptances and matriculations (undergraduate and graduate)
- Student demand performance and recruiting strategy against key competitors
- Student application overlap and win/loss data
- Tuition pricing and financial aid policy update
- Quality profile of entering students

OPERATIONS:
- Trends in key revenue and expense drivers (tuition, grants, faculty salaries, etc.)
- Operating performance of major units or subsidiaries (healthcare, etc.)
- Philosophy regarding operating margins
- Endowment spending policy
- Research grant flow
- Use of bank lines of credit or loans (if applicable)

STATE FUNDING ENVIRONMENT (FOR PUBLIC INSTITUTIONS):
- Appropriations mechanism for higher education institutions in the state
- Historical trends in support for operations and capital projects
- Likely support in the near future given state economic/budget forecasts

FINANCIAL RESOURCE GROWTH:
- Fundraising (capital campaign update or plans, Board role, alumni participation rate)
- Asset allocation
- Investment performance (overall, by asset class)
- Liquidity

GOVERNANCE/MANAGEMENT:
- Role of Board and its committees
- Relationship with affiliated foundation (if applicable)
- Conflict of interest policies

DEBT AND CAPITAL:
- Capital planning process
- Future capital needs and borrowing plans
- Debt policy
- Debt structure and use of derivatives
TRANSACTION DETAILS:

- Size
- Purpose
- Timing
- Security/Pledged revenues
- Debt structure and use/incorporation of derivatives

LITIGATION OR OTHER SPECIAL ISSUES
Related Research

Rating Methodologies:

Moody’s Rating Approach for Private Colleges and Universities, September 2002 (75753)
Moody’s Rating Methodology for U.S. Public Colleges and Universities, December 2002 (76899)
Moody’s Rating Approach for Not-for-Profit Cultural Institutions, November 2004 (89653)
Moody’s Rating Approach for Independent Elementary and Secondary Schools, January 2005 (91172)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.