AGENDA
ARKANSAS STATE UNIVERSITY
BOARD OF TRUSTEES
February 4, 2008
2:00 p.m. Telephone Conference Call
ASU System Office

I. Call to Order
   Mike Gibson, Chair

II. Roll Call

*III. Agenda

   • Resolution approving ASU-Newport to refund the 2003 Student Revenue Bonds by issuing new bonds in an amount not to exceed $4,460,000.

*IV. Adjournment

*Action Item
Arkansas State University  
Board of Trustees  
February 4, 2008

The Arkansas State University Board of Trustees met by conference call on Monday, February 4, 2008, in the conference room of the President’s Office at Regions Bank. Mr. Mike Gibson, Chair of the Board of Trustees, called the meeting to order at 2:04 p.m. A roll call confirmed the presence of the following Board members: Mr. Mike Medlock, Vice Chair; Mrs. Florine Tousant Milligan, Secretary; Mr. Howard Slinkard; and Mr. Ron Rhodes. Members of the ASU staff and the media were present.

Agenda:

ASU-Newport Resolution

➢ Resolution approving ASU-Newport to refund the 2003 Student Revenue Bonds by issuing new bonds in an amount not to exceed $4,460,000.

Chancellor Larry Williams explained that passage of the resolution would generate an approximate savings of $8,000 to $12,000 per year for the ASU-Newport campus.

Upon motion by Mr. Slinkard, second by Mr. Rhodes, Resolution 08-01 was approved.

AYES: Gibson, Medlock, Milligan, Slinkard, Rhodes

NAYS: None

Upon motion by Mrs. Milligan, second by Mr. Medlock, the meeting was adjourned at 2:07 p.m.

AYES: Gibson, Medlock, Milligan, Slinkard, Rhodes

NAYS: None

[Signatures]

Florine Tousant Milligan, Secretary

Mike Gibson, Chair
EXECUTIVE SUMMARY

ACTION ITEM: ASU requests approval to refund the 2003 Student Fee Revenue Bonds to reduce the overall debt service requirements of Arkansas State University-Newport.

ISSUE: ASU-Newport would like to reduce its overall debt service payments by refunding the 2003 bond issue with an outstanding principal balance of $4,460,000.

BACKGROUND:

- Interest rates have recently declined such that the 2003 bond issue for the Newport campus may be refunded and reduce annual debt service payments.

- The amount to be refunded is approximately $4.46 million.

- Refunding the 2003 Student Fee Revenue Bonds would provide for an annual savings in debt service of approximately $9,000 to $14,000, or a total net present value savings of approximately $158,358 over the remaining life of the issue.

- ASU System requests approval from the Board to refund these bonds. The Board approved a recent new money issue for Newport, Beebe, and Mountain Home. If the rates had declined before the new bonds were sold this refunding issue would have been included. However, the rates declined after the sale of the new bonds due to an unexpected 75 basis point reduction in the Federal Reserve borrowing rate. This single event along with another anticipated 1/2 percent reduction has caused rates to decline enough that it now makes financial sense to refund the outstanding Newport bonds. This would provide for the most cost effective method of refunding the bonds and would reduce ASU-Newport’s annual debt service. ASU does not require ADHE Coordinating Board approval for a refunding of an existing issue.

- The existing issue matures May 1, 2028. The new bonds that must be sold to accomplish the refunding would be issued in an amount not to exceed $4.46 million and would mature May 1, 2028. Consequently, the bond issue length would not be extended beyond the current outstanding issue.

- The original 2003 bond issue proceeds were used to assist in constructing the Student Community Center, the renovation of Samuel Moore Walton Hall as well as other smaller campus improvement projects.
EXECUTIVE SUMMARY

- ASU System will need to hire a bond counsel to prepare all the legal documents, and a bond underwriter to structure, manage, and sell the new bonds to refund the 2003 issue. ASU System will use Friday, Eldredge & Clark, LLP to act as bond counsel, and Stephens Inc. to act as underwriter for the issue. ASU System will negotiate issuance costs to assure that they are reasonable and that they reflect costs of universities of similar size and similar rate risk.

- The new bonds shall mature over a period not greater than twenty (20) years. Moreover, the Underwriter’s Discount shall not be more than 1.0% of the principal amount thereof.

RECOMMENDATION/RESOLUTION:

Be it resolved that Arkansas State University-Newport has approval to refund the 2003 Student Fee Revenue Bonds by issuing new bonds in an amount not to exceed $4,460,000. Furthermore, ASU System is authorized to engage the firm of Friday, Eldredge & Clark, LLP as bond counsel and is authorized to hire Stephens Inc. as the financial advisor and underwriter.

The Chair of the Board, the President of the University, and the Vice President for System Operations are authorized to execute such writings and take such action as may be appropriate to cause the bonds to be issued, including without limitation, the execution and delivery of a trust indenture, a Bond Purchase Agreement with the underwriter, a continuing disclosure agreement in compliance with the Securities and Exchange Commission Rule 15c2-12, and an Official Statement.

All prior resolutions in conflict with this resolution are repealed to the extent of such conflict.

Florine Tousant Milligan, Secretary

Mike Gibson, Chair