

AGENDA
ARKANSAS STATE UNIVERSITY
BOARD OF TRUSTEES
Monday, November 20, 2017
12:00 Noon
Teleconference

I. Call to Order
Ron Rhodes, Chair

*II. Agenda

- Proposed ASU System Resolution
 - Resolution approving the ASU System to refund ASU-Jonesboro Housing System Revenue Bonds, Series 2009, and ASU-Jonesboro Housing System Junior Lien Revenue Refunding Bonds, Series, 2010

- Proposed ASU-Jonesboro Resolution
 - Resolution approving ASU-Jonesboro to enter into a ground lease agreement and space lease agreement with the Red Wolves Foundation

III. Other Business

*IV. Adjournment

*Action Items

EXECUTIVE SUMMARY

Contact: Jeff Hankins (501) 660-1004

ACTION ITEM: Arkansas State University System ("ASU System") requests approval to refund certain outstanding bonds through the issuance of housing system revenue refunding bonds and to execute an official statement, bond purchase agreement, supplemental trust indenture, and related documents.

ISSUE: The Board of Trustees (the "Board") of Arkansas State University (the "University") is authorized under the Constitution and laws of the State of Arkansas, including particularly Act No. 62 of 1947, as amended (codified at Arkansas Code Annotated Sections 6-62-301 *et seq.*) (the "Act") to borrow money for the purpose of acquiring, constructing, and equipping capital improvements for use by the University and to refund bonds issued under the Act to finance such capital improvements.

BACKGROUND:

- The Board has previously issued its Housing System Revenue Bonds (Jonesboro Campus), Series 2009 (the "2009 Bonds"), in the original principal amount of \$9,290,000, under the Act for the purpose of financing capital improvements on the campus of Arkansas State University-Jonesboro ("ASU-Jonesboro").
- The Board has also previously issued its Housing System Junior Lien Revenue Refunding Bonds (Jonesboro Campus), Series 2010 (the "2010 Bonds"), in the original principal amount of \$6,075,000, under the Act for the purpose of refinancing capital improvements on the campus of ASU-Jonesboro.
- The 2009 Bonds are in the outstanding principal amount of \$7,920,000 and are subject to optional redemption by the Board without penalty on and after March 1, 2019.
- The 2010 Bonds are in the outstanding principal amount of \$4,360,000 and are subject to optional redemption by the Board without penalty at any time.
- The ASU System and ASU-Jonesboro have recommended and the Board has determined that it is in the best interest of the University to refund the 2009 Bonds and the 2010 Bonds (collectively, the "Bonds Refunded") and that the refunding of the Bonds Refunded (the "Refunding") should be financed by the Board's Housing System Revenue Refunding Bonds (Jonesboro Campus) (the "Bonds").

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- The Bonds are to be secured pursuant to a Trust Indenture dated as of December 1, 2010, between the Board and BancorpSouth Bank, Stuttgart, Arkansas, as trustee (the "Trustee"), as supplemented.
- The Bonds are to be issued on the terms and in the form set forth in a Supplemental Indenture (the "Supplemental Indenture").
- In order to proceed with the financing, it is necessary for the Board (i) to authorize the issuance and marketing of the Bonds; (ii) to authorize the President of the University to deem final the Preliminary Official Statement and to authorize its use; (iii) to authorize the pricing of the Bonds and the execution of a Bond Purchase Agreement in connection therewith; and (iv) to authorize the execution of the Supplemental Indenture and related documents, all relating to the security and issuance of the Bonds.
- The Board intends to work with Friday, Eldredge & Clark, LLP, Little Rock, Arkansas as bond counsel and Crews & Associates, Inc. and Stephens Inc. as underwriters (collectively, the "Underwriters") for the Bonds.

RECOMMENDATION/RESOLUTION:

Be it resolved that, so long as the Refunding would produce an aggregate net present value savings of at least 4% of the refunded principal balance of the Bonds Refunded, the Board hereby approves, authorizes, and directs the issuance, execution, and delivery of the Bonds in an aggregate principal amount not greater than the amount needed to accomplish the Refunding and to pay the estimated costs of issuing the Bonds and accomplishing the Refunding. The Bonds shall mature not later than the final maturity date of the Bonds Refunded.

The Chair and Secretary of the Board and the President of the University are hereby authorized to execute all documents necessary to the issuance of the Bonds, including without limitation:

- (a) the Supplemental Indenture, to be dated as of the date of the Bonds, between the Board and the Trustee, setting forth the terms and conditions of the Bonds and providing for the issuance of the Bonds;

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- (b) a Bond Purchase Agreement, dated as of the date of execution, between the Board and the Underwriters, setting forth the purchase price (which shall include an Underwriters' discount not greater than 0.85%) and the other terms and conditions upon which the Bonds will be sold to the Underwriters; and
- (c) a Continuing Disclosure Agreement, dated as of the date of the Bonds, between the Board and the Trustee, setting forth certain obligations of the Board to make continuing disclosure of financial information and listed events to the secondary municipal marketplace, as set forth in Rule 15c2-12 of the Securities and Exchange Commission.

The Supplemental Indenture, the Bond Purchase Agreement, and the Continuing Disclosure Agreement shall be in substantially the form presented to this Board, but with such changes therein as shall be approved by the Chair or the President. The Board recognizes that certain revisions may be made to the Supplemental Indenture, the Bond Purchase Agreement, and the Continuing Disclosure Agreement prior to the issuance of the Bonds, and hereby authorizes the Chair or President to approve and accept such revisions, their signatures on each of such documents to constitute proof of their acceptance of such revisions. Specifically, the President is hereby authorized to (i) accept the final maturity schedule and interest rates for the Bonds if he deems such rates and maturity schedule to be appropriate and within the authority granted by this Resolution and execute the final Bond Purchase Agreement; and (ii) execute the Continuing Disclosure Agreement.

The Board hereby authorizes and ratifies the use of a Preliminary Official Statement in the marketing of the Bonds. The Preliminary Official Statement for the Bonds is hereby approved in substantially the form presented to the Board. The Board hereby authorizes the President to "deem final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission the Preliminary Official Statement with such revisions as may be accepted by the President. The Board hereby further authorizes and approves the production of a final Official Statement, and authorizes and directs the President to execute and deliver the Official Statement, in such form as he deems acceptable and necessary to accomplish the issuance of the Bonds.

The Chair and Secretary of the Board, the President of the University, the Executive Vice President of the University, and the Vice Chancellor for Finance and Administration of ASU-Jonesboro are hereby authorized and directed to do any and all lawful things to effect the execution and delivery of the Bonds, the performance of all obligations of the Board and of ASU-Jonesboro, and the execution and delivery of


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all papers, documents, certificates, and other instruments of whatever nature that may be necessary or desirable for carrying out the authority conferred by this Resolution or evidencing the authority and its exercise. The Secretary of the Board is hereby authorized to acknowledge and attest to the signatures of the Chair and to execute such other documents as may be required in connection with the issuance of the Bonds.



Niel Crowson, Secretary



Ron Rhodes, Chair

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ACTION ITEM: Arkansas State University-Jonesboro ("ASUJ") requests approval to enter into a ground lease agreement and space lease agreement with the Red Wolves Foundation ("RWF"). This will allow the RWF to facilitate and pay for the construction of a North End Zone athletics facility as well as new loge boxes, premium seating, and other enhancements to Centennial Bank Stadium.

ISSUE: The Board of Trustees approves certain lease agreements.

BACKGROUND:

- ASUJ has long desired to construct a North End Zone complex on the ASUJ campus to be used to provide enhanced services to ASUJ student athletes and ASUJ employees.
- ASUJ wishes to utilize a ground lease to the RWF. This will allow the RWF to manage and pay for all costs to construct the North End Zone complex, loge boxes, premium seating and other enhancements to Centennial Bank Stadium in the areas depicted on Exhibit "A" of the ground lease.
- This structure will enable ASUJ to enjoy significant improvements to the campus, while also avoiding the need to use public funds to finance this construction.
- The North End Zone athletics facility will consist of approximately 66, 533 square feet, which will include a new weight room and training/rehabilitation area, new locker room areas, meeting rooms, players' lounge, coaching offices, academic rooms, and a team-theater meeting area.
- The construction will also yield 150 new loge boxes, 68 new premium seats, and other enhancements to Centennial Bank Stadium.
- The ground lease to the RWF and the space agreement between the RWF and ASUJ shall be for a term of twenty (20) years.

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RECOMMENDATION/RESOLUTION:

Be it resolved that Arkansas State University-Jonesboro is approved to enter into the proposed ground lease agreement and space lease agreement with the Red Wolves Foundation for the construction of a North End Zone athletics facility, loge boxes, premium seating, and additional enhancements to Centennial Bank Stadium.



Niel Crowson, Secretary



Ron Rhodes, Chair

**Arkansas State University
Board of Trustees
November 20, 2017**

The Arkansas State University Board of Trustees met by conference call on Monday, November 20, 2017. Ron Rhodes, Chair of the Board of Trustees, called the meeting to order at 12:05 p.m. A roll call of the board confirmed that Ron Rhodes, Tim Langford, Niel Crowson, Stacy Crawford, and Price Gardner were present by telephone.

ASU System Resolution:

- Resolution 17-44, approving the ASU System to refund ASU-Jonesboro Housing System Revenue Bonds, Series 2009, and ASU-Jonesboro Housing System Junior Lien Revenue Refunding Bonds, Series 2010

Mr. Gardner: Dr. Welch, can I say something before you start? I wanted to let everybody know that due to our firm's service as bond counsel on this, I will recuse myself from any discussion or voting on this resolution. I just wanted to get that out on the table on the front end.

Dr. Welch: This resolution, as you will recall, involves letters that I have written to the United States Congress regarding concerns that we have with the proposed tax reform. One of those concerns has to do with our ability to perform advance refunding on certain bonds that we have. This is a perfect example. We had bonds in 2009 and 2010, and our underwriters identified an opportunity for an advanced refunding on those bonds, resulting in savings for the University of nearly \$2.6 million. When we're looking at these advanced refunds, we are always shooting for a Net Present Value (NPV) of about 4%, and the estimate on this particular refunding is almost 11%. So obviously, it would be highly beneficial to our University to do that. The reason that we asked for this special call today is because we don't know whether we will have this same ability after the first of the year, and interest rates remain favorable to refinance now. This is an aggressive plan to close the refinancing by the end of the year. Our underwriters and bond counsel are confident that we can do it. We feel that it is worth the effort for the long-term savings in financing costs. Again, this may not be available on January 1, so we needed to consider immediate approval, so that our underwriters and bond counsel would have time to close this advanced refunding. Now certainly, nothing is final, and we may have the opportunity to continue to realize advanced refundings after the first of the year,

depending upon how the tax reforms move forward, but not knowing and having the ability to accomplish a refunding as significant as 11% now, drove us to ask for your consideration for that today.

Upon a motion by Mr. Crowson, seconded by Dr. Langford, Resolution 17-44 was approved.

AYES: Rhodes, Langford, Crowson, Crawford

NAYS: None

ASU-Jonesboro Resolution:

- Resolution 17-45, approving ASU-Jonesboro to enter into a ground lease agreement with the Red Wolves Foundation.

Dr. Welch: There is no relation between these two items. Since we were having the meeting and both resolutions were both time-sensitive, we decided to address both at the same time. As you know, the ASU-Jonesboro campus and the athletics department have had plans for some time to construct a facility in the north end zone area of Centennial Bank Stadium. That facility would include seating to replace current seating. It would also include new spaces for hydro therapy and other types of treatment rooms for our student athletes in all sports, not just for football, as well as some new training facilities and office space. One of the driving factors for the office space discussion has been a desire and a need to ensure that we are maintaining appropriate equity and addressing Title IX issues. This will free up space in the current facilities and allow us to rearrange some offices to accomplish a key goal. This is going to be a great addition to our facilities and will fulfill a lot of needs. I want to commend Terry Mohajir and his team for raising the private funds to accomplish this. This is privately funded; this is not going to be funded by student tuition or any kind of public bonds or anything of that nature. It will be funded through a loan that the Red Wolves Foundation will undertake. We appreciate the Red Wolves Foundation and their donors for their significant support of our program. One of the reasons for doing this today is just simply timing for next season. Upon your approval of the lease, the contractor, which will be Ramsom's Construction, would like to get to work immediately, so that the seating could be in place by the start of the next season. While the entire facility may not be complete, at least we would have the seating configurations completed, and obviously that clock is ticking. Because this building will be paid for and constructed with Red Wolves Foundation funds, there is not any sort of loan agreement or financing agreement that this Board has to approve. That is done separately by the Red Wolves Foundation Board. What you have to do is approve a ground lease to the Red Wolves Foundation, so

that it can utilize our land to construct the facility. This is almost identical to what we did with the Johnny Allison Tower at Centennial Bank Stadium. If you will recall, a loan was secured by the Red Wolves Foundation, and they pledged donations and other funds from the Foundation to cover that loan. We executed a ground lease with the Red Wolves Foundation to allow them to construct that facility. It's a very similar arrangement here. I have visited extensively with Terry Mohajir, Chancellor Damphousse, and Vice Chancellor Frey, and we've looked at the financials and looked at the fund raising that has been done, and it's amazing what they've been able to accomplish. We've never seen anything like it in the history of our University, and I want to commend them for that.

Dr. Langford: I started hearing about and thinking about this in the spring. I think we are the only school in our conference that is lacking a football operations center. For instance, our entire team cannot sit in one room unless they go somewhere else on campus to have a meeting. My understanding was that we needed to update our facilities to keep up with our peers, especially in the area of recruiting, and also to provide increased office space for some Title IX potential issues. Its success is really due to the recent fund raising Terry did, which has been phenomenal and has some momentum. I support this project going forward.

Mr. Gardner: As a former player, I recognize the need for the facility. This has been discussed and promoted for years, and I understand the competitive impact from a recruiting standpoint. And because of Title IX, it's certainly something that needs to be done on that side of the ledger. As Trustees, I think we all understand the overall needs of our campus and our students, and this is approximately a \$29 million commitment that's being undertaken. It's not a decision that is taken lightly. Like it or not, the realities of having a program that competes at the level that we do in all of our sports, make this a "need" more than a "want." And then, as it becomes reality, we need to know how to pay for it. It is private money; it's a loan from Centennial Bank, but directly or indirectly, that affects ASU-Jonesboro and the System. Then you start to focus on the facility itself. With what went on with the press box, I have concerns about the overall cost of overruns of design. It's got fountains, etc., and those types of things are easy targets for criticism. When I expressed some of these concerns to Terry, I told him I didn't think this was a slam dunk. We know we have a guaranteed maximum price contract. We know what it's going to cost. We're not under a real timeline. Basically, in my mind, all of the boxes have been checked when questions have been asked, and everybody has risen to that challenge and responded favorably. To further complicate this, you might be looking at a shortfall in auxiliary revenue that helps fund athletics. A response to that has been addressed and the team

has come up with a good plan there. I feel really good about the fundraising that's been done, the commitments that appear out there, and I think there is considerable opportunity for additional contributions. About the fountains, I think they actually add to the value of the proposition. Terry did a good job and I'm comfortable with that. Overall, I commend everybody who has worked on this project, and I'm glad to see it's in a position to move forward.

Mr. Rhodes: As an outgoing Board member, I want to add my thanks on behalf of the Board to Dr. Welch, Julie Bates, Brad Phelps, and again, to Dr. Damphousse and Dr. Frey. I want to also give a shout out to a couple of our colleagues, Price Gardner and Niel Crowson. Their combined expertise in the construction business having to do with ground leases and their understanding of what this actually entails have brought us to this point. Last but not least, what can we say about Terry Mohajir that hasn't already been said? He talked the talk and he walked the walk and he went out and raised the money. So, it's a nice day to be a Red Wolf.

Mr. Crowson: I just have a comment, and I concur with everything that Price said. When we first saw this project a number of months ago, there was some concern about the cost, and I think Terry and his team acted in a very responsible manner to go back and tackle this project to get the cost of it down to where it is today. I want to say thanks for that. It's a combination of the fundraising and the value engineering that allows us to take action on this project today.

Dr. Welch: This project is being realized differently from the standpoint that there is a guaranteed maximum price. We know exactly what it's going to be, and the only deviation from that would be if we elected a change order, and I can tell you we have communicated to Terry and to the contractors that we don't anticipate any change orders. We want this to be very tight, and that's why Terry spent as much time as he has on the front end value engineering, and I appreciate it. It's also been said that I had to go back to Terry on multiple occasions and say "Terry, you've got to raise more money." If we want to have some of these extra features to set our facility apart, the fountains being one example, then you are going to need to identify individuals who are interested in contributing to that. That's exactly what he did. We had individuals who made contributions to the Red Wolves Foundation and indicated that it was that unique water feature that was their primary rationale for doing so. One thing I will point out to all of you, these aren't going to be 365 running water features. It's organized in a way that it's very cost effective, and there won't be standing water at times that they are not in use. We will no longer have to utilize fireworks during the games. Instead,

we will utilize the water feature during celebrations, so really, there were some cost trade-off factors there, too, that made that even more palatable. I also want to thank Price Gardner and Niel Crowson. I went to both of them individually at times and sat down and asked them to help me talk through the details and look at them again because of their expertise, and they always had great questions and comments that helped me put together the best information to help Terry. This has been a project that the Red Wolves Foundation and the athletics department have worked very hard on. If you had told us 10 years ago that they were going to be able to raise and secure funds in the Red Wolves Foundation to do a \$29 million facility, most people probably would have laughed, but that's exactly what they've been able to do. I'm proud of them for that. But Terry knows that there is always more fundraising to do, and there are more naming opportunities, so we will look forward to him continuing to add to that list.

Upon a motion by Mr. Gardner, seconded by Ms. Crawford, Resolution 17-45 was approved.

AYES: Rhodes, Langford, Crowson, Crawford, Gardner

NAYS: None

Adjournment

Upon a motion by Dr. Langford, seconded by Ms. Crawford, the meeting adjourned at 12:32 p.m.

AYES: Rhodes, Langford, Crowson, Crawford, Gardner

NAYS: None



Niel Crowson, Secretary



Ron Rhodes, Chair