

MINUTES OF THE MEETING OF THE
UNIVERSITY OF ARKANSAS BOARD OF TRUSTEES
UNIVERSITY OF ARKANSAS SYSTEM
BOARDROOM
LITTLE ROCK, ARKANSAS
11:00 A.M., OCTOBER 17, 2014

TRUSTEES PRESENT:

Chairman Jim von Grep; Trustees Jane Rogers; Ben Hyneman; David Pryor; Mark Waldrip; John Goodson; Stephen A. Broughton, MD; Reynie Rutledge; Cliff Gibson and Morrill Harriman.

UNIVERSITY ADMINISTRATORS
AND OTHERS PRESENT:

System Administration:

President Donald R. Bobbitt, Vice President for Academic Affairs Michael K. Moore, Vice President for Learning Technologies Daniel E. Ferritor, Vice President for Administration Ann Kemp, Vice President for University Relations Melissa Rust, Director of Internal Audit Jacob Flournoy, Interim Director of Communications Nate Hinkel, Associate General Counsel Joanne Maxey, Assistant to the President Angela Hudson and Associate for Administration Sylvia White.

UAF Representatives:

Chancellor G. David Gearhart, Provost and Vice Chancellor for Academic Affairs Sharon L. Gaber and Interim Vice Chancellor for Finance and Administration Tim O'Donnell.

UAMS Representatives:

Chancellor Daniel W. Rahn, Provost and Chief Academic Officer Jeanne K. Heard, Vice Chancellor and Chief Financial Officer Bill Bowes and Vice Chancellor Institutional Relations Cherry Duckett.

UALR Representatives:

Chancellor Joel E. Anderson; Provost and Vice Chancellor Academic Affairs Zulma Toro; Chief of Staff Priscilla McChristian; Director, Budget and Strategic Initiative Sandra Robertson; and Chief, Government Relations Joni Lee.

UAM Representatives:

Chancellor Jack Lassiter and Provost Jimmie Yeiser.

UAPB Representatives:

Interim Vice Chancellor for Academic Affairs Jacquelyn McCray, Coordinator of Student Affairs Elbert Bennett and Interim Vice Chancellor for Finance and Administration Carla Martin.

UAFS Representative:

Vice Chancellor for Finance Darrell Morrison.

Division of Agriculture Representative:

Associate Vice President for Agriculture-Extension Tony Windham.

Criminal Justice Institute Representative:

Director Cheryl May.

Archeological Survey Representative:

Director George Sabo.

Members of the Press.

Chairman von Grep called the meeting of the Board of Trustees of the University of Arkansas to order at 11:04 a.m. on Friday, October 17, 2014, in Little Rock, Arkansas.

1. Approval of Bond Refunding and Bond Issuance, UAMS:

Chancellor Daniel W. Rahn and Vice Chancellor for Finance and CFO Bill Bowes presented a request for approval to issue up to \$99,500,000 in bonds to refund Various Facility Revenue Bonds, Series 2006. Upon motion by Trustee Goodson and second by Trustee Broughton, the following resolution was approved:

RESOLUTION

AUTHORIZING THE ISSUANCE OF UP TO \$99,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF BOARD OF TRUSTEES OF THE UNIVERSITY OF ARKANSAS VARIOUS FACILITIES REVENUE BONDS (UAMS CAMPUS), FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ARKANSAS VARIOUS FACILITY REVENUE BONDS (UAMS CAMPUS), SERIES 2006; AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, SERIES TRUST INDENTURE AND RELATED DOCUMENTS; AND PRESCRIBING OTHER MATTERS PERTAINING THERETO.

WHEREAS, the Board of Trustees (the “Board”) of the University of Arkansas (the “University”) is authorized under the Constitution and laws of the State of Arkansas (the “State”), including particularly Arkansas Code of 1987 Annotated, Title 6, Chapter 62, Subchapter 3 (the “Act”), to borrow money for the purpose of acquiring, constructing and equipping capital improvements to University facilities and to refund bonds issued under the Act to finance such capital improvements; and

WHEREAS, the Board has previously issued its Various Facility Revenue Bonds (UAMS Campus), Series 2006 (the “Series 2006 Bonds”), and, based on advice of the staff of the University and the University of Arkansas for Medical Sciences (“UAMS”), the Board has determined that it may be able to, based on current market conditions, recognize present value savings by refunding all or a portion of the Series 2006 Bonds; and

WHEREAS, the staff of the University and UAMS have recommended and the Board has determined and hereby finds and declares that the best method for accomplishing the refunding of all or a portion of the Series 2006 Bonds, will be through the issuance of its Board of Trustees of the University of Arkansas Various Facilities Revenue Refunding Bonds (UAMS Campus) (the “Bonds”) in one or more series, in a total aggregate principal amount not to exceed \$99,500,000; and

WHEREAS, the proceeds of the sale of the Bonds shall be used to accomplish the refunding of all or a portion of the Series 2006 Bonds and paying the costs of issuing the Bonds; and

WHEREAS, the Bonds are to be secured pursuant to a Master Trust Indenture dated as of November 15, 2004 (the "Master Indenture") between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee to The Bank of New York Trust Company, N.A. (the "Trustee"); and

WHEREAS, the Bonds are to be issued on the terms and in the form set forth in a Series Trust Indenture for the Bonds (the "Series Indenture") between the Board and the Trustee, which Series Indenture shall contain an indication of the year in which the Bonds are issued, and shall contain a letter designation per Series Indenture which shall be in sequential order after taking into account other bonds previously issued under the Master Indenture in such year; and

WHEREAS, in order to proceed with the refunding, it is necessary for the Board (i) to authorize the issuance and marketing of the Bonds; (ii) to designate Bond Counsel for the Bonds (as hereinafter identified) and Underwriter for the Bonds (as hereinafter identified); (iii) to authorize the President of the University to deem final the Preliminary Official Statement for the Bonds and to authorize its use; (iv) to authorize the pricing of the Bonds and the execution of a Bond Purchase Agreement for the Bonds with the Underwriter in connection therewith; and (v) to authorize the execution of the Series Indenture for the Bonds and related documents, all relating to the security and issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ARKANSAS:

The Board recognizes that it is possible, depending on the conditions of the bond market at the time of issuance, that it may realize certain net present value savings from the refunding of all or a portion of the Series 2006 Bonds. All or a portion of the Series 2006 Bonds may be refunded if such refunding would produce an aggregate net present value savings of at least three percent (3%) of the refunded principal. In the event that such net present value savings threshold is met for all or a portion of the Series 2006 Bonds, the Bonds, in the aggregate principal amount not to exceed \$99,500,000, are hereby authorized to be issued to accomplish the refunding of all or a portion of the Series 2006 Bonds and to pay the costs of issuing the Bonds. The Bonds shall mature not later than March 1, 2036, have a weighted average maturity of not more than 15 years, and have a true interest cost (after taking into account original issue discount and premium and Underwriter's discount, but excluding costs of issuing such Bonds) not greater than 4.50%. The Bonds may be issued in one or more series if necessary to differentiate the tax treatment of interest on the Bonds for federal income tax purposes

or for other reasons deemed necessary or appropriate to evidence compliance with federal tax laws.

The series descriptions in the name of each series of Bonds shall indicate the year in which such series of Bonds is issued and shall contain a letter designation per series of Bonds which shall be in sequential order after taking into account other bonds previously issued under the Master Indenture in such year. The description in the name of each series of the Bonds shall also include the word "Refunding."

The Bonds shall be secured by a pledge of all of the revenues attributable to in-patient services and other ancillary, therapeutic and diagnostic services provided within the walls of the Hospital, as defined in the Master Indenture, excluding (a) physician-generated revenues, (b) all State appropriations, and (c) those revenues classified as "Restricted Revenues" pursuant to accounting standards used in performing the annual audit of UAMS (the "Pledged Revenues"); provided, however, that such Pledged Revenues are subject to previous pledges to Existing Obligations as described in the Master Indenture and shall not include any fees authorized or imposed by UAMS and dedicated to a specific purpose unrelated to obligations issued pursuant to the Act or to facilities funded with such obligations.

In order to provide for the issuance of the Bonds and to prescribe the terms under which the Bonds will be secured, executed, authenticated, accepted and delivered, the Chairman of the Board or the President of the University and the Secretary of the Board are hereby authorized to execute all documents necessary to the issuance of the Bonds, including without limitation:

- a) the Series Indenture, to be dated as of the date of the Bonds issued thereunder and to contain in its title the year in which the Bonds are issued, between the Board and the Trustee, setting forth the terms and conditions of the Bonds and providing for the issuance of the Bonds;
- b) a Bond Purchase Agreement for the Bonds between the Board and the Underwriter, setting forth the purchase price (which shall include an Underwriter's discount not greater than 0.75%) and the other terms and conditions upon which the Bonds will be sold to the Underwriter; and

- c) a Continuing Disclosure Agreement for the Bonds, between the Board and the Trustee, setting forth certain obligations of the Board to make continuing disclosure of financial information and material events to the secondary municipal marketplace, as set forth in Rule 15c2-12 of the Securities and Exchange Commission.

The Series Indenture, the Bond Purchase Agreement and the Continuing Disclosure Agreement for the Bonds are hereby authorized and shall be in substantially the form presented to the Board, but with such changes therein as shall be approved by the Chairman or the President. The Board recognizes that certain revisions may be made to the Series Indenture, the Bond Purchase Agreement and the Continuing Disclosure Agreement prior to the issuance of the Bonds, and hereby authorizes the Chairman or President to approve and accept such revisions, the signature of either on each of such documents to constitute proof of their acceptance of such revisions. Specifically, the President or the Chairman 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 for the Bonds with the Underwriter and (ii) execute the Continuing Disclosure Agreement for the Bonds. Prior to the sale of the Bonds, the President or the Chairman is hereby authorized to confer with Bond Counsel (as hereafter defined) in allocating the principal amount of such Bonds between tax-exempt bonds and taxable bonds if advantageous for planning purposes or necessitated for federal income tax purposes.

The Board hereby authorizes the use of a Preliminary Official Statement in the marketing of the Bonds and authorizes the production of an Official Statement for the Bonds. The Preliminary Official Statement is hereby approved in substantially the form presented to the Board. The Board recognizes that certain revisions may be made to the Preliminary Official Statement prior to its delivery to prospective purchasers, and hereby authorizes the Chairman or the President to approve and accept such revisions, the signature of either on such Preliminary Official Statement to constitute proof of acceptance of such revisions. 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 for the Bonds with such revisions as may be accepted by the President. The Board hereby further authorizes and approves the production of a final Official Statement for the Bonds and authorizes and directs the President to execute and deliver the Official Statement, in such form as he deems acceptable, in connection with the issuance of the Bonds.

The Chairman and Secretary of the Board and the President of the University, acting individually or collectively, as may be appropriate, 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 UAMS, and the execution and delivery of 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 or Assistant Secretary of the Board is hereby authorized to acknowledge and attest the signature of the Chairman or the President and to execute such other documents as may be required in connection with the issuance of the Bonds.

The Board hereby expresses its intent to retain Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., Little Rock, Arkansas, as Bond Counsel for the Bonds (“Bond Counsel”), and Stephens Inc. as Underwriter for the Bonds. The President of the University and the Vice President for Finance of the University, in consultation with the Chancellor of UAMS and the Vice Chancellor for Finance of UAMS, are authorized to negotiate the terms and conditions of agreements with the Underwriter and Bond Counsel, and to execute such agreements as they determine are necessary and in the best interest of the University. If such negotiations are unsuccessful, the President shall so inform the Board, and the Board will identify other bond counsel and underwriters with whom the President of the University and the Vice President for Finance of the University, in consultation with the Chancellor of UAMS and the Vice Chancellor for Finance of UAMS, shall negotiate. Upon the conclusion of successful negotiations, Bond Counsel and the Underwriter will complete documentation for the issuance of the Bonds upon such schedule and in such manner as the President of the University shall direct.

The provisions of this resolution are hereby declared to be separable and if any provision shall for any reason be held illegal or invalid, such holding shall not affect the validity of the remainder of this resolution.

All resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

2. Approval of Draft Strategic Plan, UASYS:

President Donald R. Bobbitt presented a request for approval of a draft Strategic Plan for the University of Arkansas System. Former University of Arkansas, Fayetteville, Chancellor Daniel E. Ferritor and retiring University of Arkansas at Monticello Chancellor Jack Lassiter spoke in favor of the Strategic Plan as a living document and commenting that it would be of great help to the campuses. Upon motion by Trustee Rutledge and second by Trustee Gibson, the draft Strategic Plan was approved.

Transformation 2025

Mission Statement. The University of Arkansas System is a comprehensive, publicly-supported higher education institution composed of 18 unique campuses, divisions and administrative units that share the singular goal of serving Arkansas residents and others by developing and sharing knowledge to impact an ever-changing world. The System provides access to academic and professional education, and develops intellectual growth and cultural awareness in its students, staff and faculty. The System further promotes an atmosphere of excellence that honors the heritage and diversity of our state and nation. It provides our students, researchers and professionals with tools to promote responsible stewardship of human, natural and financial resources in Arkansas and around the globe, and with workforce-relevant knowledge to enhance economic development efforts that ultimately improve the overall quality of life and societal wellbeing.

Overview. The 18 institutions and units that comprise the University of Arkansas System include five, two- year institutions: (Phillips Community College of the University of Arkansas (PCCUA), University of Arkansas Community College at Batesville (UACCB), University of Arkansas Community College at Morrilton (UACCM), University of Arkansas Community College at Hope (UACCH) and Cossatot Community College of the University of Arkansas (CCCUA); five, four-year institutions: (University of Arkansas (UAF), University of Arkansas at Fort Smith (UAFS), University of Arkansas at Little Rock (UALR), University of Arkansas at Pine Bluff (UAPB) and the University of Arkansas at Monticello (UAM); an academic medical center, the University of Arkansas for Medical Sciences (UAMS); the Division of Agriculture; a presidential school, the Clinton School of Public Service; along with several units critical to the economic and cultural fabric of the state (Arkansas Archeological Survey, Criminal Justice Institute; a residential high school, the Arkansas School for Math, Sciences and the Arts (ASMSA) and a related educational entity, the Winthrop Rockefeller Institute (WRI). The Board of Trustees of the University of Arkansas recently approved the formation of the system's 18th institution, the University of Arkansas System *e*Versity, a 100 percent online university offering high-quality, affordable, accessible, workplace-relevant degrees and credentials in a format that meets the needs of the students unable to attend a traditional face-to-face campus.

Transformation 2025. The Transformation 2025 Strategic Plan for the University of Arkansas System looks forward 10 years with the goal to position the system, through its associated institutions and units, to continue to be the premier system of higher education in the State of Arkansas and one of the most

productive and resource efficient in the nation focusing on student achievement and success. The Transformation 2025 plan is based upon six overarching system-wide goals with evaluation metrics to allow assessment of progress to meet the goals articulated in the 10-year plan. Annual assessment of progress will be made and reported to the Board of Trustees with the aim to be both accountable and transparent.

*Goal 1. Expand access to higher education to all Arkansans including those traditionally underrepresented in higher education. **10-year goal - graduates of the University of Arkansas System should mirror the demographics of the State.***

Metrics:

- Annual comparison of State demographics with those of enrolled students for each institution individually and collectively at the system level.
- Annual comparison of State demographics with those of faculty and staff for each institution individually and collectively at the system level.
- Evidence of institution-specific programs and initiatives to expand access and enhance diversity.

*Goal 2. Improve student retention and graduation rates. **10-year goal - student retention and graduation rates should exceed averages of peer institutions.***

Metrics

- Annual improvement in retention per class with goal to mirror average of peer institutions.
- Graduation rate measured against peer institutions and compared to U.S. News and World Report predicted rate.
- Annual degree production equal to or exceeds full-time equivalent undergraduate enrollment divided by six for four-year institutions, and three for two-year institutions.
- Partnerships between system two- and four-year institutions to improve student success and to increase degree production.
- Institutional cost to produce a degree as compared to peers.

*Goal 3. Enhance regional and national reputation of UA System Institutions. **10-year goal – improvement in institutional quality as measured against peers including regional and national rankings.***

Metrics

- Annual comparison to peers through select rankings and other verifiable measures of quality in institutional programs and services.

- Annual evaluation of faculty, staff and administrators.
- Periodic in-depth formative evaluation of faculty (post-tenure review) and senior administrators.
- Percent of budget directed to instruction and academic support, as compared to peers.
- Student/faculty ratio.
- Periodic review of programs to ensure relevancy.

Goal 4. Financial Efficiency. 10-year goal – as stewards of State resources, institutional resource allocation will be efficiently focused on education, research and service to the State.

Metrics

- Periodic evaluation and reallocation of resources to support primary institutional goals.
- Teaching space utilization optimized to match classroom capacity with course enrollment.
- Faculty and staff compensation offered at levels that meet or exceed those provided at peer institutions.
- Periodic assessment of staffing levels to ensure appropriate support for institutional mission.

Goal 5. Technology. 10-year goal – University of Arkansas System institutions will utilize state-of-the art technology in classrooms and laboratories to assist faculty and staff in teaching, research and service to the State of Arkansas.

Metrics

- Classroom and laboratory instructional technology is appropriate for the course content and up-to-date.
- Training is available to support faculty and staff in the use of technology.
- Research facilities, instrumentation and library resources are appropriate for institutional mission.

Goal 6. eVersity. 10-year goal – The University of Arkansas System eVersity, a 100 percent online university will enroll over 10,000 students annually, and offer a robust portfolio of high-quality, affordable, accessible, workplace-relevant degrees and credentials in a format that meets the needs of the learners who are unable to attend a traditional face-to-face campus.

Metrics

- Year-to-year enrollment increases until target enrollment is reached.
- Number of credential and degree programs offered.

- Accredited within first 5 years of operation.
Financially viable and self-sustaining without state general revenue

3. Report and Update on eVersity, UASYS:

Michael Moore, Vice President for Academic Affairs, provided an update on the progress made to launch the University of Arkansas System *eVersity*. Moore noted that the business case stating the need for the *eVersity* had been made at the March meeting so attention was focused on the developments in the past few months. Staff members were introduced (Director of Online Learning Harriet Watkins, Director of the Student Experience Linda Wilson, Director of Institutional Assurance Kim Bradford and the Director of Student On-Boarding and Records Tammy Harrison) along with four students (Nouroudine Alassane, Jessica Sabin, Kat Short and Nathan Watson) from the Clinton School who are working on a project with the *eVersity*. The *eVersity* has entered into a MOU with UALR for support in implementing the student information system (SIS). The SIS agreement was negotiated at a significant savings (60% off list) and offers potential additional savings to other system institutions who adopt the same SIS. Moore discussed the faculty governance request and the request for design services that were distributed to the campuses. Moore also noted that the Federal Trademarks for *eVersity* have been secured and the initial webpage for the *eVersity* was unveiled.

The presentation also focused on ways the *eVersity* is rethinking traditional university practices. Examples of rethinking the admission process and the traditional curriculum process were examined. The initial core curriculum was presented and course design principles were shared. Moore also outlined work that will be completed in the coming weeks including RFPs for faculty to articulate curriculum and build courses, developing partnerships with UA institutions and employers, building brand awareness, constructing a robust student support environment, and pursuing accreditation. A meeting with the System CAOs for October 31st was announced. Moore discussed four collaborative projects that bring value to the System: (1) a project with the Clinton School of Public Service to create an asset map; (2) a contract with Civitas Learning that provides preferred pricing; (3) a system-wide contract with ProctorU; and (3) a system-wide contract with Blackboard that will save each campus money.

Finally, renovations in the Pine Borders Cabin, home of the *eVersity*, were discussed. Of special note is the historical significance of the cabin and the gift from the Cammack family. Renovations have been completed with special attention to keeping costs low. Energy efficient HVAC was installed which will result in a rebate and much of the furniture was acquired from the state surplus store (M&R) at significant discounts. All those in attendance were invited to a reception in the Pine Borders Cabin following the meeting.

Following the presentation, the Board discussed a resolution to provide a loan from institutional reserves to *eVersity* to fund start-up costs. Trustee Rodgers invited Chancellors Anderson and Gearhart to offer comments. UALR Board of Visitor Chair Dean Kumpuris and several others spoke in opposition to the source of funding and made suggestions for alternate sources. All speakers were clear in their support for the concept of the *eVersity*, but objected to the source of funding. After much discussion, the Board unanimously supported a resolution guaranteeing a \$5 million loan to *eVersity* with the source of funds to be determined at a future date.

4. Approval of a Loan in Compliance with Board Policy 375.1, UASYS:

President Donald R. Bobbitt presented a request for approval of a loan to *eVersity* in compliance with Board Policy 375.1. The resolution presented was revised to approve the borrowing of up to \$5,000,000 and give authority to the Audit and Fiscal Responsibility Chairman, Mark Waldrip, to determine the best funding source, terms and provisions, and then come back to the Board for final approval. Upon motion by Trustee Rutledge and second by Trustee Hyneman, the following resolution was approved:

BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ARKANSAS THAT the Board approves the inter-institutional borrowing, pursuant to Board Policy 375.1, or other loan arrangements or funding sources, of up to \$5,000,000 for a term of 10 years, and with such other terms and provisions as determined by the Chair of the Audit and Fiscal Responsibility Committee and approved by the Board of Trustees of the University of Arkansas System.

BE IT FURTHER RESOLVED THAT the Board approves the use of the funds to pay the start-up costs of the offering of on-line courses by the University of Arkansas System *eVersity*.

BE IT FURTHER RESOLVED THAT the President, and the Vice President for Finance or Vice President for Administration shall be, and hereby are, authorized to execute the *Request for Internal Loan* document, and such other required documents, to complete a loan.

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There being no further business to come before the Board, upon motion and second, the meeting was adjourned at 3:34 p.m.

Respectfully Submitted,

/s/

Jane Rogers, Secretary