



April 21, 2016

Dear Senator Pryor:

Thank you for this opportunity to clarify the details of the proposed Donald W. Reynolds Stadium North End Zone Addition and Stadium Renovation. We believe that this project is not only important for the future of the University of Arkansas, but also for the continued economic and cultural growth of our state.

For more than a century, the Razorbacks have been an important tie that binds every corner of our state together. From its original dedication as Bailey Stadium in 1938, to its continued evolution into its modern-day form, Donald W. Reynolds Razorback Stadium has served as the on-campus Home of the Razorbacks and a place where Arkansans can gather together to “Call the Hogs.”

Following the 1998 football season, the University began plans for the last major expansion and renovation of Donald W. Reynolds Razorback Stadium, including the addition of premium seating on the east and south sides of the stadium. That effort proved essential in enabling our largest revenue-generating program, football, to meet the demands of our fans and to provide financial support for our non-revenue generating athletic programs.

With new needs, including heightened safety and security requirements, and the evolving demands of our fans and alumni, we have reached another critical crossroads in the history of the University to complete the stadium on its north end and to conduct needed renovations throughout the facility.

We are sincerely grateful for your longtime and distinguished service to our nation and our state as well as your commitment to the University of Arkansas as a member of the Board of Trustees.

As a part of that commitment, you submitted a series of 33 questions regarding the proposed project. We respect your due diligence on this issue and welcome the opportunity to continue the transparent dialogue regarding this project that we first initiated more than eight years ago. Much of the information included below was shared previously at the Board of Trustees meeting in January, 2016. However, thanks to the Board’s approval of our request to move forward with full design and cost estimates, we do have some additional information and updates to provide in response to your questions.

In 2009, the Department of Athletics hired specialty consultants to develop a Facilities Master Plan for Razorback Athletics. Included in the master plan was a general concept and program for the expansion of Donald W. Reynolds Razorback Stadium at the north end.

In 2013, the Department of Athletics brought together a project team to further study the feasibility of a north end zone expansion, additional updates needed within the stadium, along with a market study for the demand of different types of seating and amenities at home football games. The project team has included Populous (Architect), Polk Stanley Wilcox (Architect), CSL (Feasibility Study), and University of Arkansas Facilities Management.

In January 2016, we returned to the Board of Trustees with information from the study and a proposal to engage in a full design and cost estimate as well as a request to begin marketing the seat options and accepting private gift commitments. In March 2016, the Board of Trustees selected and approved CDI/Hunt Joint Ventures as the construction manager and general contractor for the proposed project. As committed previously, we will bring the project back to the board with an update on the cost of the project, commitments made for capital contributions and ticket sales, along with an intent resolution for the bonding requirements for this project.

The Donald W. Reynolds Razorback Stadium North End Zone Addition and Stadium Renovation is about current Razorback student-athletes and fans as well as future generations of students and fans. One of the guiding principles for the scope and design of this project is the development of a variety of seating types and amenities that fans seek and updating areas of the stadium that have not been touched since the last major stadium project more than 15 years ago. Updates will include rebuilding the Broyles Center to allow the north end zone expansion, improved flow of fans into and throughout the stadium and enhancing safety for everyone in the stadium.

The creation of new suites, clubs and loge boxes will provide opportunities for additional fans to have access to these requested premium areas that we are unable to accommodate currently, due to our near 100% occupancy in those areas. We have also heard the feedback of some Razorback fans and members of the campus community that they desire lower-priced options available to them.

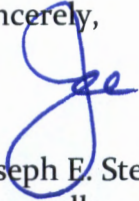
Understandably, many of the questions you have provided relate to the funding of this project. We are committed to completing the project at a cost of \$160M and I have made it clear that no more than \$160M will be spent in this project. Within the plans outlined to the Board previously, we identified a goal of raising \$40M in private gift support for the North End Zone Addition and Stadium Renovation project and bonds will not exceed \$120M. We are pleased to report that in just over two months since announcing our plans, we have already raised more than \$17M of our \$40M goal of private gift support. In addition, we have planned strategically to retire previous bond

issues early to allocate the funds necessary for this project and to help ensure other potential bond issues important to the University of Arkansas are not adversely impacted. The economic benefits of this proposed stadium project will only further enhance the more than \$153.6M annual economic impact created annually by Razorback Athletics and the estimated \$1B impact on the Arkansas economy – and the annual investment in the campus – from those combined annual benefits and planned construction.

We are grateful for the opportunity to respectfully submit answers to your questions as well as to provide supporting information important to consider in this process. In fact, you raising these important questions signaled to us the need to better inform our campus community, fans and the public about the particulars of this project, and we are using this opportunity to share the following information with those audiences as well.

I would be happy to meet in person to discuss these items in detail.

Sincerely,



Joseph E. Steinmetz
Chancellor

1. What is the expected cost estimate for the stadium's North end extension?

The Department of Athletics has worked with Populous (Architect), Polk Stanley (Architect), Legends (Cost Estimator), and University of Arkansas Facilities Management to develop the project scope and a cost estimate of \$160M, which includes all project components

This cost includes a north expansion, updates to existing areas, and a new Broyles Athletic Center:

– North End Zone Addition and Stadium Renovation. The north addition will include new suites, loge boxes, club seats, and club areas. The east and west concourses will connect to allow flow of patrons around the stadium, as well as provide new concessions and restrooms. Additional and expanded entrances will improve patron flow into and out of the stadium increasing the safety and security of the Stadium. Currently there is very limited entry and exit from the north end of the stadium. In order to preserve the tradition of the Razorback team running through the “A” a gameday locker room, athletic training room and pre/post game support area will be rebuilt.

– Stadium updates. New elevators will be installed at the northeast and northwest corners to provide greater access to the existing east and west suites, club areas, and upper level seating, and concourses will be updated. A new video board will be added at the south end of the stadium. Security and safety systems throughout the stadium will be enhanced.

– Frank Broyles Athletic Center. The Broyles Center will be affected by the larger north end zone project, and will be rebuilt in the new north end. The Broyles Center will continue to house the administrative offices, and also include space that can be used for ticketing, merchandise sales, and display of Razorback history and traditions.

2. Has there been a cost/benefit ratio study for the North-end stadium project?

In 2009, the Department of Athletics hired specialty consultants to develop a Facilities Master Plan for Razorback Athletics. Included in the master plan was a general concept and program for the expansion of Donald W. Reynolds Razorback Stadium at the north end.

In 2013, the Department of Athletics brought together a project team, competitively bid through an RFQ process, to further study the feasibility of a north end zone expansion, additional updates needed within the stadium, along with a market study for the demand of different types of seating and amenities at home football games. The project team has included Populous (Architect), Polk Stanley (Architect), CSL (Feasibility Study), and University of Arkansas Facilities Management. The department committed to bring the project back to the Board of Trustees after the study was completed, and prior to moving forward with the project. The project was brought back to the Board of Trustees in January 2016. The Board granted approval for the Department of Athletics to take the next steps in the process to complete the full design and cost estimate of the project, and to begin marketing the new premium seating.

This project is about the student-athletes and fans of Razorback Football. The guiding force behind the project design and scope is the development of seating types and amenities that fans are asking for, as well as updating areas of the stadium that have not

been touched since the last major stadium project more than 15 years ago. The experience of Arkansas fans is critical to keeping patrons coming to games and to maintaining the environment needed for a true home field advantage. In addition, updates will include improved flow of fans into and through the stadium, as well as enhancing their safety in the stadium.

In addition to providing new and updated seating, the stadium project will generate additional revenue to support the Department of Athletics. Based on recent reports from *The Chronicle of Higher Education* and *USA Today*, Razorback Athletics is one of the few financially self-sustaining athletic programs in the entire nation and among a limited number of programs currently providing more support than it receives in subsidies. Razorback Athletics does not receive any state funding, direct funding from campus, and student fees.

In addition to not receiving funds from campus, the Department of Athletics provides funding back to campus for academic needs and other campus support of over \$20M on an annual basis. The stadium project will provide revenues to maintain the self-supporting financial model for Razorback Athletics as well as providing vital additional support for the continued investment in academic and other related programs benefitting all students at the University of Arkansas.

3. How many additional seats will this dollar amount add to stadium capacity?

As outlined previously, the primary goal of this project is not to make a significant increase in the total number of seats in the stadium. The project is focused on providing the types of seating that fans are requesting in locations within the stadium where we have had a history of strong demand. In addition, the project is focused on enhancing the game day experience, which encourages our fans to attend games and support our student-athletes by providing a significant home field advantage. DWRRS suites have been continuously sold out since their construction and our club seats have been sold at an average of 98% throughout the stadium. The completed market study indicated these were the types of seating our fans were seeking and willing to purchase. Additional feedback from campus suggests more options for entertaining by the colleges and schools is appealing.

Below please find a listing of the additional seating proposed as part of the project as well as a breakdown of seating in other parts of the stadium that will be impacted. Current plans would increase the capacity of the stadium from 72,000 to approximately 76,000.

New Seating Sections	
North End Zone Lower Club	1,160
North End Zone Upper Club	1,061
Field Loge Boxes	80
Mid-Level Loge Boxes	272
Roof Deck	1,500
North End Zone Upper Level Suites	262
North End Zone Lower Level Suites	214
Founders Suites	300
Total	4,849

Seats w/ Structural Renovation or New Space	
South Outdoor Club	3,690
South Indoor Club	1,651
East Outdoor Club	637
East Indoor Club	2,148
West Suite	877
East Suite	626
South Suite	397
Suite Standing Room	906
North End Zone Lower Club	1,160
North End Zone Upper Club	1,061
Field Loge Boxes	80
Mid-Level Loge Boxes	272
Roof Deck	1,500
North End Zone Upper Level Suites	262
North End Zone Lower Level Suites	214
Founders Suites	300
Total	16,094
Percentage of Total Capacity	21%

Final Capacity After Renovation	
Existing Stadium Capacity	72,000
Subtract East Outdoor Club	-637
Add Founders Suites (East side)	300
Add North End Zone Capacity	4,549
Total	76,212

4. What is the estimated cost of each additional seat for the North-end project?

The cost estimate for the project which includes renovations and enhancements of the stadium as well as the North End Zone Addition is \$160M. The project will enhance the game-day experience of approximately 76,000 fans that would attend games in the renovated Donald W. Reynolds Razorback Stadium. Based on the preliminary estimates of 75,934 seats, the estimated cost per seat for the stadium renovation and addition would be \$2,107.09.

Approximately \$120M of the estimated total is directly attributed to the addition in the north end zone, including an estimated \$46M for seats and club areas. The addition of 4,549 new seats at an average per-seat cost of \$10,112.

5. Will there be any additional seats added for student use?

Through various initiatives and programs, including the Student Access Pass, we have continued to focus on providing University of Arkansas students with affordable access to all Razorback events and have worked to increase student-attendance at those events. At this time, the renovation does not include plans for additional student seating. The Department of Athletics has continued to monitor the increased enrollment and its relation to the redemption of student seating within the football stadium. Based on the current allotment of student seating (10,000) and the redemption rate in the past three seasons, the current allotment is large enough to accommodate current student attendance as well as provide extensive capacity for future growth. While additional seating is not required at the time, we do believe that the student gameday experience will be greatly improved by many of the renovation components. Unlike many other programs which charge a mandatory student fee for athletics whether students choose to attend, our student season ticket program (Student Access Pass) provides a voluntary and affordable opportunity to attend all Razorback events, including football games. The price of the Student Access Pass remains below many of our peers.

6. Will there be any additional general admission seats?

Currently, there is no general admission seating at Donald W. Reynolds Razorback Stadium other than student seating that is filled by students on a first come-first served basis. While general admission seating is not included in the plans for the stadium, plans do include a standing-room only social area on top of the North End Zone. Tickets to the standing-room only section will be offered at our lowest price point, in an effort to introduce Young Alumni to our season ticket holder program. In addition, some general standing-room only options may be available at the expanded northeast corner entry plaza of the stadium.

7. Is there an estimated (or actual) cost for the requested new video board?

At this time, we are projecting a \$5-\$6 million cost for the new video board in the south end of the stadium. Based on feedback from our fans, a second video board in the south end would further engage them in the game and enhance their overall experience. The installation of the south end video board, will further ensure that every fan in Donald W. Reynolds Razorback Stadium will be able to view at least one of the video boards, with a

vast majority of fans being able to see both video boards. We are prepared to move forward with this enhancement for all fans prior to the projected completion of the full stadium project by utilizing existing revenue.

8. Is there a cost estimate yet on the cost of the additional elevators to be installed?

Current cost estimates, through the schematic design phase, for the two elevator towers on the northwest and northeast corners of the stadium are estimated between \$2.7–\$3.0M. The new elevators would serve existing upper deck ticket holders, including students, east and west suite and club holders as well as those who purchase suites and other seating in the north end zone. These new elevators will dramatically reduce fan congestion and help ease the current overcrowded demand for existing elevators located in the middle of the east and west grandstands as well as the elevators located on the southeast and southwest corners of the stadium.

9. For what price to the general public will the new boxes or special seats offered?

As with all premium seating areas within Donald W. Reynolds Razorback Stadium, the new suites and club seating in the north end zone will be offered based on the Razorback Foundation priority process. Once that process is complete, any remaining new seats would be offered to non-Razorback Foundation members, including the general public. We do anticipate general public access to the standing-room only area in the north end zone as previously outlined for young alumni and as overflow for the student section. With more than two years remaining until the proposed completion of the project, a price structure has not been finalized beyond those established for the Founders Suites. While there have been preliminary discussions regarding pricing for the remainder of the renovated stadium, a final determination has not been made, however, we do anticipate the pricing to be determined as we get closer to beginning the sales process.

10. Will competitive bids be taken for various construction needs? In choosing construction contractors for the North-end project, what language in the contract addresses competitive bids, accountability and transparency?

Once design documents (drawings and specifications) are deemed sufficiently complete, the General Contractor will begin bidding to all divisions of sub-contractors necessary to complete the project. As a general practice the University wants to see as many bids from qualified sub-contractors as possible. The owner (University) will be in constant review of the submitted qualifications and pricing received with the general contractor. The University reserves the right to be present during the time the General Contractor receives the bid submissions. Once all bids are received, reviewed and vetted for complete accuracy the General Contractor will work to gather a Guaranteed Maximum Price (GMP) to propose back to the owner. The GMP will include a sum of all accepted sub-contracting bids needed to complete the job. This sum along with the General Contractor's pre-negotiated fees (management and general conditions) will comprise to make up the complete GMP presented for approval to the University. Below is some sample language within the contract that directly addresses the requirement of competition, accountability and transparency:

"If at all possible, a minimum of three bids shall be taken for each division of work being bid. The number of bidders shall not be limited. The Construction Manager is encouraged to seek as many qualified bids as is practical. The Owner shall retain the right of approval/disapproval of the General Contractor's recommended selection of Sub-Contractors prior to awarding of any contract. The Owner/Owner's Representative(s) shall have the right to review the list of potential bidders and all submitted bids."

"The owner reserves the right to be present at the time of sub-contractor bid submission to observe the process. The bids shall be presented to the Owner in a tabulated format that will clearly display the low bid and range of bids for each division of work"

"If the Guaranteed Maximum Price proposed by the General Contractor is above the budget established by the Owner, the General Contractor along with the Architect/Engineer, Commissioning Agent (if applicable) and Owner shall participate in value engineering strategies until an acceptable price reduction is achieved."

This contract language for competition reflects approx. 93%-94% of the total construction value that is estimated to be approx. 75% of the total project cost value or approx. \$120M of \$160M. The remaining construction value of 6%-7% is primarily the general conditions that are also described in more detail in the attached section of contractual language as well and these line items are negotiated individually prior to incorporating them into the GMP final number along with the contracted substantial completion date.

11. Should the North-end stadium project be approved and completed, what other construction priorities do you foresee for the Athletic Department? Are there cost estimates for those future projects?

The Facilities Master Plan initiated in 2009 and released to the media and fans in 2011 provided an outline of potential future projects and construction priorities for the next 30 years. Several of the projects identified in the plan have been completed including additions at Razorback Field (soccer), locker room expansions at the HPER for swimming and the Fred W. and Mary B. Smith Golf Center, as well as new construction of the Fred W. Smith Football Center, the Basketball Performance Center, the Jerry and Gene Jones Family Student-Athlete Success Center and the Fowler Family Baseball and Track Training Center.

In addition to the North End Zone Addition and Stadium Renovation project, the plan identified potential future additions and renovations to Bud Walton Arena (\$41-\$51.5M), Baum Stadium at George Cole Field (\$15.5-\$19M), the George Billingsley Tennis Center (\$500K-1.25M), Bogle Park (\$750K-\$1.5M) and John McDonnell Field (\$4.25-\$5.1M). The plan also outlined potential new projects including a 5,000-seat competition venue (\$18-\$23M) for volleyball and gymnastics and an outdoor training pool (\$3-\$3.5M) for the swimming and diving program. Estimated costs were included within the Facilities Master Plan for each project and are also included above. The preliminary cost estimates listed for all projects in the Facilities Master Plan were developed in 2010 and were based on projected construction costs at the time of the estimates. The cost estimates are not reflective of the current construction market. At this time, there are no additional plans under consideration beyond the North End Zone Addition and Stadium Renovation project.

12. On a scale of 1-10, how would the “North end project” rate as a priority for the Fayetteville campus?

A metaphor has long been used in higher education to describe the relationship between athletics and academics: “Athletics are the front porch of the university. It’s not the most important room in the house, but it is the most visible.”

That is to say, the attention generated by collegiate athletics, combined with the spirit engendered by generations of alumni and fans, are often some of the ingredients that help bring attention to the university including the academic mission, attract students, and provide a sense of pride in the institution. The University of Arkansas is no different from other major Research I universities.

We care deeply about the education and academic success of our 460 student athletes. As is the case for all of our students, enhancing their academic experience and success are among the highest priorities.

The North End Zone project does not fall within the same set of priorities for the campus and cannot be numbered among them. While it is high on the set of athletics priorities, it has no priority within the academic mission of the University of Arkansas

13. To the best of your knowledge, is the North end stadium project the largest (in cost) construction project in history for the Fayetteville campus?

To the best of our knowledge this is the largest campus total project cost in University history. The 1999-2003 stadium project (approx. \$107M in 1999-2003 dollars) was likely the previous largest project on campus. This earlier project if escalated to current 2016 dollars, would have been in the \$150M range for total project cost.

Other campus projects that have been completed in recent years include the

Nanoscale Material Science and Engineering Building at a cost of \$38M and the Champions Hall Classroom Building at a cost of \$26.5M. Both of these buildings were made possible by the Athletic Department committing funds to campus.

14. It was estimated in January of 2016 that the stadium project would require an expenditure of some \$160,000,000. A bond issue of some magnitude will be required. Would such a debt affect our bond rating? Would this debt preclude or adversely affect future bond issues needed for other campus needs?

The University does not anticipate that the issuance of bonds for the stadium project would affect its bond rating. Prior to the issuance of any bond indebtedness, the University and System Office review the proposed indebtedness with Moody's Investor Service who is the rating agency for the University of Arkansas. As part of their review, Moody's reviews various factors in rating the debt including the University's market profile, wealth and liquidity, operating metrics, pledged revenues, debt ratios, size of endowment, future capital projects, etc. Moody's last reviewed the System's credit in February, 2016 and as part of the review discussions, the University also informed Moody's as to future capital projects including the North End Zone Addition and Stadium Renovation, student housing, parking, etc. In their most recent rating action dated February 29, 2016, Moody's assigned a rating of Aa2 with a stable outlook and commented that, "The Aa2 rating reflects the University of Arkansas's role as the largest provider of higher education in Arkansas, diverse and growing revenue streams, good philanthropic support and manageable debt burden."

The affirmation of the Aa2 rating and stable outlook incorporates the University's expectations of additional financial leverage related to the stadium project. Based upon our existing bond indebtedness, level of debt service coverage, and amount of revenues to pledge, the Fayetteville campus does not feel the proposed Stadium debt issuance will adversely impact future bond issues for other campus needs, provided however, that the University and other System campuses continue to experience solid student demand and maintain fiscal health.

15. In (or about) the year 2000, the UA Fayetteville campus issued bonds for approximately \$100,000,000, which resulted in 22,000 seats being added to our seating capacity. According to public record, there was competitive bidding at each stage of that project. The North end project could cost \$200,000,000 and result in increasing seating capacity by only 3,000 seats. Please explain.

The total project cost for the 1999-2003 stadium expansion project was \$107M (1999-2003 dollars). As best that we can determine the base construction project was hard bid.

As outlined in the information previously shared with the Board of Trustees and publicly, cost estimates for the North End Zone Addition and Stadium Renovation project benefitting more than 75,000 Razorback fans is \$160M. While this is an

estimate, we believe that it accurately represents the cost of the project. It is our intention to contain costs of the project to \$160M. There has been no cost estimate pertaining to the project approaching \$200M.

Based on the information we have available, the Department of Athletics had a budget of \$24.5M in 2000, and total debt of \$47.1M which was 192% of the department's revenue for that year. The Department of Athletics is currently operating with a \$97.5M budget, and total debt of \$56.5M which represents 58% of the department's revenue for the current year.

16. In Athletic Director Jeff Long's January 2016 letter to the Board of Trustees, it was stated that the Broyles Center would be renovated and modernized. Do you have an estimated cost for this expansion?

As part of his January 8, 2016 letter, Jeff Long communicated to the Board of Trustees that as part of the project the Broyles Center would be rebuilt in the new north end zone. The estimated cost of the new Broyles Center is \$9-\$11 million. Based on an analysis of potential options, the choice to rebuild was the most cost effective option for repurposing the facility to accommodate the North End Zone Addition and Stadium Renovation while meeting the modern needs of a combined athletics department. With the move of the football team and its daily operations to the Fred W. Smith Center, the space that remains for the football team within the Broyles Center is currently underutilized and not programmed to efficiently fit the needs of an athletics department administration building. Additionally, the Broyles Center was not originally designed to support additional seats on top of the facility and therefore, the cost to retrofit the building would exceed the cost to rebuild. In a scenario where the Broyles Center were to be relocated to another area, it could require Athletics purchasing additional land not currently under the University's control.

17. Do these plans include any additional parking in, under or around the Broyles Complex?

Based on preliminary analysis and design, the plans do not currently include the addition of parking as a direct part of the project. However, as part our continued proactive efforts to provide additional parking spaces for university students, faculty and staff as well as accommodate additional game day parking around Donald W. Reynolds Razorback Stadium, Athletics is providing \$3M in funding for new parking lots on the west side of the stadium. Although the construction is being funded primarily by Athletics, the parking lots will provide additional revenue to the university's division of Parking and Transit through the non-game day use of an estimated 835 new parking spaces.

18. How many present parking spaces (presently used by students and staff) just north of the Broyles Center will be utilized due to this expansion?

Current lot capacity in Lot 44, just north of the Broyles Center is 779 parking spaces. The North End Zone Addition and Stadium Renovation addition and stadium renovation is projected to impact approximately 102 overall spaces in Lot 44.

19. What dollar amount of bonds will be issued to combine with private and public funding? What year will these bonds mature? Will bond issues be required for additional projects in the future? In the past 25 years, among the bond issues of the Fayetteville campus, what is the breakout of bond issue proceeds being used for athletic purposes vs. academic needs?

We are currently projecting \$120M bond issue that will be amortized entirely with athletic revenues. No public funds have been received to support Athletic Department facilities, and no public funds will be required for this project. There is no funding from the state government, no funding from campus, and no student fees. Athletic facilities have been paid for with athletic revenues. The stadium project will be funded in this same manner.

Our model for the stadium project is based on a 20-year bond. In anticipation of a potential stadium project, our current bonds for recently completed projects were structured on 10 to 15 year terms in order to pay back the debt in an aggressive manner and minimize bond indebtedness. Many athletic programs issue bonds over a 30 year period. The Athletic Department structured a 2011 bond issue for the Fred W. Smith Football Center to pay back the bonds over a 10 year period. The department structured a 2013 bond issue for the Jerry and Gene Jones Family Student-Athlete Success Center, the Basketball Performance Center, and the Fowler Family Baseball and Track Training Center to pay back the bonds over a 15-year period. The department saved over \$30M dollars in interest by not structuring the bonds over a 30 year period.

The Athletic Department has based its planning for the stadium project around a model of paying the bonds off over a 20 year period, which will result in approximately \$40M less in debt service payments than would be paid if using a 30-year term.

No other athletic facility projects or bond issues are being proposed at this time. The Athletic Department will assess additional facility projects as necessary in the future, and will base its planning around facilities being funded entirely with athletic revenues, as well as with other campus planning.

Since 1990, the University has issued “new money” bond issues (new as opposed to refinancing of debt) in the total of \$836,176,714. Here is a breakdown by category:

Category	Amount	Percent
Educational and General	\$386,912,723	46.3%
Other Auxiliary (e.g. Housing, Parking, Health, etc.)	\$320,978,991	38.4%
Athletic	\$128,285,000	15.4%

Total	\$836,176,714
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20. What is present indebtedness of the University of Arkansas-Fayetteville?

The total debt for the University of Arkansas, Fayetteville campus as reported in the June 30, 2015 financial statements:

Type of Debt	Amount Outstanding 06/30/2015
Fayetteville Campus:	
Bonds	\$610,180,000
ESPC Installment Contracts	\$28,681,770
Notes Payable	\$1,917,253
Capital Leases	\$395,659
Total	\$641,174,682
Plus: Net unamortized premium	\$46,411,620
Total Fayetteville Campus	\$687,586,302
Agri Experiment Station:	
Capital Leases	\$25,957
Grand Total Reported in Financial Report	\$687,612,259

21. Is there a maximum indebtedness or a limit to debt we can safely incur?

(Please note, in order to assist in answering this question, we contacted our financial advisor, PFM, for their insight on this question.)

The short answer is yes, there is a maximum indebtedness (or debt capacity) that can be incurred by the University of Arkansas System. Generally speaking, debt capacity is often defined as the amount of debt an issuer is able to support while maintaining its ability to meet future debt service payments and maintaining the ability to provide for the ongoing day-to-day services required for it to operate as well as retaining varying degrees of financial flexibility to meet unexpected revenue shortfalls. For higher education institutions this requires a combination of: ability to maintain market position, operating profile, financial reserves and liquidity, and management and governance strength. It is important to note that an institution's debt capacity is fluid and changes over time based on factors other than debt. As such, PFM, often approaches this measurement based on (1) review of debt that an institution can issue considering their rating objectives (i.e. maintaining current ratings) and (2) an institutions legal ability to issue additional debt under its legal covenants. In most cases, the later analysis results in a debt capacity that if reached would not maintain the issuer's current rating.

In regards to the stadium financing, PFM's understanding is that the University anticipates that the project will be funded via bonds issued and secured on a parity basis with the University's outstanding athletic bonds, per the terms of the Athletics master bond indenture. The Athletic Master Indenture details the means and amount of additional indebtedness that can be incurred. The athletic bonds Master Indenture

requires that the pledged revenues in the immediately preceding Fiscal Year equal or exceed 115% of the combined maximum annual debt service on the outstanding Athletic Bonds and any additional Bonds. Current athletic pledged coverage is estimated to be over 7x. Based on the available Athletic revenues and current debt attributable to Athletics, it is our opinion that University has sufficient capacity to issue the planned indebtedness and not infer on the System's credit rating or impeding the operations of the University or Athletic department, or negatively affect future non-athletic construction

22. What is present indebtedness presently owed as a result of new or upgraded athletic facilities?

The total athletic debt for the University of Arkansas, Fayetteville campus at June 30, 2016 will be approximately \$56M. The Athletic Department will retire over \$40M of this debt over the next 6 years, with the amount of annual debt service being reduced by \$4M per year by 2021 and another \$2M in 2022. There is no debt for Athletics that extends beyond the next 12 years.

Debt Issue	Project	Amount
Series 2010 – Bond 71	DWR Razorback Stadium	\$12,210,000
	Energy Savings Project	\$1,634,723
Series 2011 – Bond 75	Fred Smith Football Center	\$2,805,000
Series 2013 – Bond 77	Jerry & Gene Jones Stu. Athl. Success Ctr.	\$10,524,501
Series 2013 – Bond 77	Fowler Family Baseball & Track Training Ctr.	\$4,265,192
Series 2013 – Bond 77	Basketball Performance Center	\$11,335,307
Series 2015 – Bond 80	John McDonnell Track (refinancing bonds)	\$3,995,000
Series 2015 – Bond 80	Fred Smith Football Center (refinancing bonds)	\$9,710,000
Total		\$56,479,723

For comparison purposes, below are the amounts of debt listed for other athletic programs in the Southeastern Conference:

School	Amount
SEC Athletic Program	\$ 303.2M
SEC Athletic Program	\$ 275.8M
SEC Athletic Program	\$ 207.6M
SEC Athletic Program	\$ 171.0M
SEC Athletic Program	\$ 154.8M
SEC Athletic Program	\$ 116.5M
SEC Athletic Program	\$ 104.3M
SEC Athletic Program	\$ 100.2M
SEC Athletic Program	\$ 95.6M
SEC Athletic Program	\$ 95.2M
SEC Athletic Program	\$ 87.0M
SEC Athletic Program	\$ 86.6M

SEC Athletic Program	\$ 10.6M
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23. What percent of revenues collected by the Athletic Department are allocated to academic needs for the Fayetteville campus?

The Athletic Department is operating with a balanced budget of \$97.5M for the 2015-16 fiscal year, which includes a projection of \$97.5M in revenues and \$97.5M in expenses. Based on the budgeted expenses the following funding has been allocated within the budget for academic needs:

Financial Aid to athletes funded by Athletics	\$8,914,822
Annual transfer to campus	\$2,250,000
Athletic funding of Academic and Student Support Services	\$2,172,971
Debt service on Athletic academic center	\$1,161,877
Funding of graduate assistantships, internships, and student positions	\$900,000
Funding to School of Music and Band	\$645,000
Other annual funding to support campus programs	\$175,000

In addition to specific academic needs of our campus, the Athletic Department offers discounted tickets to students, faculty, and staff which amounts to \$3.7M on an annual basis. The department is also funding the cost of \$3M to create a new parking lot on campus that will serve students throughout the year.

My expectation is that support will continue at the same, or higher, levels.

24. Do we know what other SEC Member schools give to academic needs from athletic revenues? Please explain.

As previously detailed, Razorback Athletics is financially self-sustaining and does not receive funding from the institution, including any student athletics fee. Prior to the launch of the SEC Network, the department provided \$1.1M in direct funding for academic programs. Since the launch of the SEC Network, the department has provided \$2.31M annually an increase of 110%. According to available data from others programs in the SEC, our percentage increase is the second largest of any SEC institution during the same time period, despite the department ranking ninth in the league in overall revenue.

Based on the data available and outlined below, the University of Arkansas ranks fourth among SEC institutions in net funding back to academic programs. While some athletics' programs give back a larger overall contribution, much of that funding is derived from mandatory student fees.

Institution	Current Commitment	Student Fees	Total Net Funding
SEC Program	\$ 10,200,000.00	\$ -	\$ 10,200,000.00
SEC Program	\$ 5,386,800.00	\$ 901,107.00	\$ 4,485,693.00
SEC Program	\$ 3,000,000.00	\$ -	\$ 3,000,000.00
Arkansas	\$ 2,310,000.00	\$ -	\$ 2,310,000.00
SEC Program	\$ 5,100,000.00	\$ 2,947,429.00	\$ 2,152,571.00
SEC Program	\$ 5,000,000.00	\$ 3,212,769.00	\$ 1,787,231.00
SEC Program	\$ 1,095,000.00	\$ -	\$ 1,095,000.00
SEC Program	\$ 3,500,000.00	\$ 2,438,373.00	\$ 1,061,627.00
SEC Program	\$ 500,000.00	\$ -	\$ 500,000.00
SEC Program	\$ 6,073,791.00	\$ 6,145,000.00	\$ (71,209.00)
SEC Program		\$ 306,632.00	\$ (306,632.00)
SEC Program		\$ 1,000,000.00	\$ (1,000,000.00)
SEC Program		\$ 1,911,778.00	\$ (1,911,778.00)
SEC Program		\$ 4,653,695.00	\$ (4,653,695.00)

25. As of April 1, 2016, has the bond underwriting firm(s) been selected?

No, the firm(s) has not been selected.

26. If not, what procedure will be used for choosing bond underwriting Firms?

The Fayetteville campus will work with the UofA System office in selecting the firm(s) to use from the board-approved list of eligible firms. Similar to the most recent debt issuance, we would anticipate engaging PFM as the financial advisor on the project to issue a RFP to the various firms and make a recommendation to the System office as to which firm(s) to engage.

27. What procedure will be employed in choosing bond counsel?

The Fayetteville campus will work with the System office in selecting the firm(s) from a board-approved list of eligible counsellors to use.

28. Will the choosing of bond counsel and bond underwriters be a transparent process? Please explain.

The Fayetteville campus will follow the process as determined by the Board of Trustees. Consistent with the policy established, we will provide rationale for the selection of the firm ultimately chosen to perform the work.

29. How will firm(s) be chosen to participate in this process? Please explain.

Pursuant to the Board of Trustees resolution dated September 12, 2014, the following two pools of eligible firms have been established for campus selection when issuing bonds:

Bond Counsel
Friday, Eldredge & Clark
Kutak Rock
Williams and Anderson
Mitchell Williams

Underwriter
Stephens
Crews & Associates
J.P. Morgan
Raymond James

As such, we plan to make the selection from these firms.

30. Approximately \$32 million is awarded each year to each SEC institution as a result of the new SEC TV channel. How is our \$32 million being used?

The Department of Athletics received \$7.5M during the 2014-15 fiscal year from the SEC Network. Prior to the launch of the network, the department spent \$8M to prepare the infrastructure and equipment necessary to support and produce broadcasts for the network. In addition, the department estimates a capital need that averages approximately \$1M per year for replacement of video cameras and equipment to support the network.

The Department of Athletics has made a commitment to provide more than \$60M in funding of academic initiatives from revenues derived from the SEC Network. These funds were pledged as part of a 30-year commitment for funding of the Nanoscale Material Science and Engineering Building and the recently completed Champions Hall classroom building, the first new classroom building on campus since 2007. In addition, Athletics provides another \$600,000 annually to support other academic programs and initiatives for the benefit of University of Arkansas students, in addition to the other funding of academic needs listed above.

The department is also using SEC Network revenues to fund new cost-of-attendance opportunities and provide additional nutritional needs for student-athletes. The department budgeted approximately \$3M in FY16 to provide student-athletes with these student experience enhancements recently permitted by NCAA legislation.

31. To the best of your knowledge, how are other member SEC schools using this financial “windfall” for the institutions they represent? Is there a certain percentage of these SEC TV channel dollars being allocated for the “academic” needs of the SEC members?

We have not been provided details on how other SEC schools are utilizing their SEC Network funds. However, we are aware that each SEC school, like Arkansas, is funding the new cost-of-attendance requirements and providing for the additional nutritional needs of student athletes. In addition, most SEC schools have recently completed a significant renovation of their football stadiums.

The SEC, in conjunction with each of its 14 institutions, provides \$1.1M funding in support of the SECU. Using its SECU academic initiative, the Southeastern Conference sponsors, supports and promotes collaborative higher education programs and activities involving administrators, faculty and students at its fourteen member universities. The SEC also provides an online platform to showcase achievements of these individuals on regional, national and international levels.

There is not a specific percentage of dollars being allocated because each institution's funding model and current financial situation is different. As outlined in a previous response to question No. 24, most athletic programs are providing some level of support back to campus. However it should also be noted that nine of the 14 athletic programs in the SEC are also receiving student athletic fees to support their athletics programs. It is also worth noting that of the 14 SEC programs, nine programs either don't contribute back to the academic needs of campus or did not increase their support following the launch of the SEC Network.

32. Please explain terms and details of the SEC TV contract?

Contracts with media partners of the SEC are negotiated collectively and maintained by the league office on behalf of the 14 member institutions. The terms and details of those contracts are not maintained by the individual institutions.

However, the distribution of revenue associated with football television agreements (including the SEC Network) is specifically outlined in the Bylaws of the Southeastern Conference:

31.21.2 Distribution of Football Television Receipts. Distribution of revenue generated from football television shall be as follows: [Revised 6/1/96]

- (a) A member institution appearing in a non-conference home game or a conference vs. conference game played on a non-traditional playing date to meet contractual commitments or to accommodate a request by the Conference office shall receive an appearance fee of \$300,000 as the home team; and [Revised 6/4/04; Revised 6/1/2007; Revised 5/29/09; effective 8/1/2009; Revised 6/3/11; effective 8/1/11]

All remaining revenue shall be divided into 15 equal shares with one share being distributed to each member institution and one share being distributed to the Conference.

33. What future plans does the Athletic Department have for these funds? Has any consideration been given to allocating a certain percentage of the yearly SEC TV revenues for academic needs or to help absorb tuition needs?

The Athletics Department remains committed to operating with a financially self-sustaining model, without the subsidy of any public or institutional funds

or a mandatory student athletics fee. In addition, the department remains committed to providing substantial financial support to the academic needs of our institution.

By operating in a fiscally conservative manner, we have been able to address the unpredictable, yet vitally important, funding for programs now permitted by the NCAA for the enrichment of the student-athlete experience. We are not able to predict what lies ahead for intercollegiate athletics or further opportunities that will arise to further invest in the development of our student-athletes to their fullest potential. However, we must be prepared to meet those opportunities for the benefit of our more than 460 student-athletes.

There has not been a specific percentage formulated directly from SEC revenues to return to academic programs. Rather, the department has made a \$60M in long-term commitments to fund academic needs on our campus, including 30-year bond terms for the Nanoscale Material Science and Engineering Building and Champions Hall. These commitment not only provided much needed funding for these two facilities, but are long-term investments in the continued academic mission of the University of Arkansas.

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