

APPENDIX B

Authorization to Enter Into a Swap Agreement – The University of North Carolina at Chapel Hill

As part of its debt management plan, the University of North Carolina at Chapel Hill plans to request authority from the Board of Governors to issue up to \$365,000,000 of special obligation bonds in 2007 and 2009 to finance capital projects. These bonds would provide funding for projects that have been approved by the Board and the General Assembly. Given that interest rates remain at historically attractive levels, UNC-CH has requested that the Board enter into financial arrangements that will secure these attractive rates for the bonds, when issued. This objective would be met through the use of one or more Interest Rate Swap Agreement or Agreements.

UNC-CH requests that the Board authorize the Vice President for Finance, the Interim Vice President for Finance, or the Senior Associate Vice President for Finance to negotiate the terms of an Interest Rate Swap Agreement(s) that would be entered into in the coming months prior to the next bond issue, but that would not require payments until the approximate time the bonds described above are to be issued. Under the terms of the Interest Rate Swap Agreement(s), the Board would agree to pay a fixed rate to a financial institution on an amount corresponding to the amount of bonds expected to be issued, and the financial institution would agree to pay the Board a variable rate based upon the same amount. The use of this technique would enable the Board to “lock in” an interest rate for the bonds that reflects today’s attractive rates. The interest rate used to compute the amounts payable by the Board under an Interest Rate Swap Agreement(s) would not exceed 6.00%, including any premium over actual rates available in today’s markets. The bonds would be issued, pending Board of Governors’ approval, in 2007 and in 2009 in a structure to be determined at the time of the sale.

It is recommended that the following resolution be approved authorizing the Vice President for Finance, the Interim Vice President for Finance, or the Senior Associate Vice President for Finance to negotiate the terms and enter into Interest Rate Swap Agreement(s) with respect to the bonds proposed to be issued for UNC-CH in 2007 and in 2009. Interest Rate Swap Agreement(s) with respect to bonds for projects already authorized by the General Assembly would be entered into when due diligence reveals it is in the best interest of the University and the State to do so. Any Interest Rate Swap Agreement(s) with respect to bonds for projects pending legislative approval would be entered only after legislative authorization by the General Assembly has been obtained and when due diligence reveals it is in the best interest of the University and the State to do so.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA AUTHORIZING THE BOARD TO ENTER INTO ONE OR MORE INTEREST RATE SWAP AGREEMENTS IN CONNECTION WITH THE PROPOSED ISSUANCE OF GENERAL REVENUE BONDS TO FUND SPECIAL OBLIGATION BOND PROJECTS AT THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL.