Authorization of the Sale of Pooled Special Obligation Bonds

In November 1998, the Board approved for the first time the issuance of pooled bonds for long-term debt for several campuses rather than individual institutional issues. A pooled issue, because of its larger size, presents an attractive offering for institutional investors often resulting in lower interest rates and improved bond insurance rates. The pooled issue also dramatically reduces the staff time required of each individual institution by eliminating duplicative work that would be required if each institution issued its own bond series. Additionally, the fixed costs of issuing bonds are spread among all participants resulting in savings for individual institutions through economies of scale. Since the last approved pooled issue in the Spring of 2009, four institutions (Appalachian State University, East Carolina University, UNC Charlotte, and UNC Wilmington) have asked to be included in an eleventh pooled issue to provide bonds for new construction and to refund bonds previously approved and issued by the Board of Governors currently outstanding at higher interest rates. The size of the bond issue is now being finalized and, depending on market factors, is anticipated to be as follows:

| | | |
|---|---|---|
| ASU | Cone Residence Hall Renovation | $ 9,000,000 |
| | Kidd Brewer Stadium Improvements | 8,000,000 |
| | Total | 17,000,000 |
| ECU | Dowdy-Ficklen Stadium Improvements | 18,200,000 |
| UNCC | Residence Hall Fire Suppression Sprinkler System Installation | 4,400,000 |
| UNCW | Student Recreation Center Expansion | 35,000,000 |

An analysis of existing and expected credit ratings is attached.

The Board of Governors would issue the bonds and then make a loan to each institution participating in the pool. The University has been assisted in drafting the bond documents by the legal firm of Womble Carlyle Sandridge & Rice PLLC. First Southwest Company of Charlotte, North Carolina is serving as the University's independent financial advisor. Wells Fargo Securities is serving as the senior managing underwriter and additional underwriters might be added to assist in the sale of bond. Parker Poe Adams and Bernstein will serve as the underwriters' counsel. The trustee will be Bank of New York. It is planned that Moody's Investors Service will assign a rating to the Pool Revenue Bonds.

While preparing for the issuance, the University will review all outstanding debt for potential savings from refunding. The refunding plan for the institutions targets a net present value savings of at least 2.0%.

It is recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to issue and sell bonds between the February 2010 and April 2010 meetings of the Board of Governors, and for the refunding bonds, at such time as the net present value savings equal or exceed at least 2.0%.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOL REVENUE BONDS FOR THE PURPOSE OF PAYING THE COST OF MAKING LOANS TO CONSTITUENT INSTITUTIONS; PROVIDING FOR THE PAYMENT OF SUCH BONDS AND THE INTEREST THEREON FROM REVENUES DERIVED FROM THE LOANS; AND APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS WITH RESPECT THERETO

The University of North Carolina
Existing and Expected Credit Ratings
As of February 1, 2010

| University | Current Percent/ Ratio | Amount of Proposed Debt | With Proposed Debt | Moody's Rating | Moody's QRate* | Predicted Rating |
|---|---|---|---|---|---|---|
| | | | | | | |
| Appalachian State University | | $17,000,000 | | A1 | | A1 |
| Debt Service to Operations | 5.0% | | 5.5% | | 4.78 | |
| Expendable Resources to Debt | 0.46 | | 0.43 | | | |
| | | | | | | |
| East Carolina University | | 18,200,000 | | Aa3 | | Aa3 |
| Debt Service to Operations | 1.8% | | 2.5% | | 4.24 | |
| Expendable Resources to Debt | 2.30 | | 1.42 | | | |
| | | | | | | |
| UNC Charlotte | | 4,400,000 | | A1 | | A1 |
| Debt Service to Operations | 3.9% | | 4.0% | | 4.42 | |
| Expendable Resources to Debt | 1.36 | | 1.32 | | | |
| | | | | | | |
| UNC Wilmington | | 35,000,000 | | A2 | | A2 |
| Debt Service to Operations | 3.3% | | 4.3% | | 5.15 | |
| Expendable Resources to Debt | 0.49 | | 0.42 | | | |

*QRate is a predictive tool provided by Moody's which relies on five key performance measures and statistics to arrive at an estimated rating before and after the issuance of additional debt.

QRate required to predict a rating of:

| | |
|---|---|
| Aa1 | 3.5 or lower |
| Aa3 | 4.5 or lower |
| A1 | 5.5 or lower |
| A2 | 6.5 or lower |