

Sale of Special Obligation Bonds – Appalachian State University

The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. Although a specific source of funding is used by a campus when retiring these bonds, special obligation bonds are generally payable from all campus revenues excluding tuition, State appropriations, and restricted reserves.

Appalachian State University requests that the Board issue special obligation bonds for the purpose of financing (1) the costs of constructing three projects -- the Plemmons Student Union Expansion, the Center for Student Leadership and Development Honors Residence Hall, and the Steam and Chilled Water Tunnel serving the Center for Student Leadership and Development -- and (2) providing for the costs incurred in connection with the issuance of the 2011 Bonds. The 2011 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds or taxable bonds as the President of the University, or his designee, in consultation with the appropriate officers at ASU determine to be in the best interest of the University.

The issuance of bonds for the new projects previously approved by the Board and the General Assembly will not exceed a par amount of \$65,000,000. The Plemmons Student Union Expansion will be financed with revenue from a \$100 debt service fee previously approved by the Board of Governors. The Center for Student Leadership and Development Honors Residence Hall will be financed with housing receipts. The Steam and Chilled Water Tunnel serving the Center for Student Leadership and Development will be financed with utility receipts.

ASU is currently rated Aa3 by Moody's Investor Service. In May of 2010, Moody's recalibrated their U.S. Municipal Ratings to its Global Scale. The recalibration resulted in ASU

moving up from a rating of A1 to Aa3 on the global scale. After issuance of the bonds, it is expected that ASU would maintain its Aa3 rating.

Davenport and Company is the financial advisor. The bank/underwriter and bond counsel will be determined prior to issuing the bonds.

It is recommended that the President of the University, or his designee, be authorized to sell the special obligation bonds between the April 2011 and the June 2011 meetings of the Board.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY
OF NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL
OBLIGATION BONDS TO FUND THE SPECIAL OBLIGATION BOND
PROJECTS FOR APPALACHIAN STATE UNIVERSITY