

## **APPENDIX D**

### **Authorization of the Sale of Revenue Bonds**

Prior to 1998, the Board of Governors issued revenue bonds to finance capital projects on an institution-by-institution basis. In November 1998, the Board approved the issuance of pooled bonds for several campuses rather than individual institutional issues. A pooled issue presents an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds are spread among all participants resulting in savings for individual institutions through economies of scale. The Board also approved the issuance of pooled bonds in 2000 and 2002. This year, four institutions (the University of North Carolina at Charlotte, the University of North Carolina at Pembroke, the University of North Carolina at Wilmington, and Western Carolina University) have asked to be included in a fourth pooled issue to finance eight projects previously approved by the Board of Governors. Included in this issuance is the refunding of bonds currently outstanding at higher interest rates. The size of the bond issue is now being finalized and is anticipated to be between \$40 million and \$45 million.

The Board of Governors would issue the bonds and then make a “loan” to each institution participating in the pool. The bonds would be outstanding for up to 20 years, with the average loan being for a period of 17 years. The University has been assisted in drafting the bond documents by the legal firms of Parker Poe Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Citigroup Global Markets Inc. and Banc of America Securities are providing underwriting services for the bonds. The underwriters’ counsel is the firm of Robinson, Bradshaw & Hinson, P.A. The trustee will be selected by a Request for Proposals process. The bonds will be insured by AMBAC Assurance Corporation.

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It is recommended that the following resolution be approved and the Vice President for Finance be authorized to sell the bonds as requested between the September 2003 and January 2004 Board of Governors' meetings.

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