

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 Fall of 2006, six institutions (Appalachian State University, East Carolina University, University of North Carolina at Pembroke, University of North Carolina at Charlotte, Western Carolina University, and Winston-Salem State University) have asked to be included in a ninth 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 \$100 million, with \$38.8 million for refunding and \$61.2 million for new construction, including Appalachian State University housing, parking, and athletic facilities, University of North Carolina at Pembroke athletic facility, Western Carolina University dining and student recreation facilities, and Winston-Salem State University housing and student recreation facilities.

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 25 years with an average life of 13 years. 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. Wachovia Securities, Inc., is serving as the senior managing underwriter and additional underwriters will 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, selected through a Request for Proposal process. It is planned for the bonds to be insured by Assured Guaranty.

The refunding plan for the institutions anticipates achieving net present value savings of at least 2.0%, totaling over \$1.8 million.

Bonds will be issued in one series, Series 2008A. Moody's Investors Service has assigned a rating of A1 to the 2008 Series A Pool Revenue Bonds, with a stable outlook.

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 March 2008 and May 2008 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