

Refunding Variable Rate Revenue Bonds and Designation as Special Obligation Project – North Carolina State University

In 1999, the Board of Governors issued revenue bonds to fund the construction and equipping of Partners Building II and the relocation of utility easements on Centennial Campus at North Carolina State University. They are variable rate revenue bonds supported by a liquidity facility from Wachovia Bank and insured by Financial Security Assurance, Inc. (FSA). These bonds were remarketed by Lehman Brothers, and now by Barclays Capital. At the time the bonds were issued, NCSU entered into a swap agreement with Lehman Brothers for a majority of the bonds at a synthetic fixed rate of 4.57%. Due to general market turmoil over the last six months, including the market for variable rate revenue bonds, bond insurers, and the recent financial crisis, North Carolina State University has determined that it is in its best interest to refund the 1999 Bonds in the amount of \$11,200,000 and terminate the swap with Lehman Brothers. Under the swap documents and current market conditions, NC State will have to pay a termination payment estimated to be \$750,000 to terminate the swap. NC State intends to accomplish the refunding and the termination payment through the issuance of commercial paper within the existing commercial paper program with UNC-Chapel Hill (CP Program).

Pursuant to the bond documents establishing the CP Program, commercial paper bonds may only be issued to finance or refinance special obligation projects. Because the 1999 Bonds were issued before the General Assembly implemented the special obligation project process, it is necessary for the Board of Governors to now designate the refunding of the 1999 Bonds as a special obligation project.

It is recommended that the Board approve the attached resolution refunding the 1999 bonds and designating it a special obligation project.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH
CAROLINA DESIGNATING CERTAIN SPECIAL OBLIGATION BOND PROJECTS AT
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE
UNIVERSITY OF NORTH CAROLINA DESIGNATING
CERTAIN SPECIAL OBLIGATION BOND PROJECTS AT
NORTH CAROLINA STATE UNIVERSITY AT RALEIGH**

WHEREAS, on January 9, 2004, the Board of Governors (the “Board”) of the University of North Carolina adopted an Amended and Restated Bond Resolution, as amended by a resolution adopted by the Board on April 11, 2006 (the “Bond Resolution”), authorizing the issuance of the University of North Carolina System Commercial Paper Bonds (UNC at Chapel Hill/NC State) (the “Bonds”), in order to refinance and finance the costs of certain projects on the respective campuses of the University of North Carolina at Chapel Hill and North Carolina State University (“NC State”);

WHEREAS, in light of recent market developments, the Board has determined that is in the best interests of the Board and NC State to refund all of the Board’s outstanding The University of North Carolina North Carolina State University Variable Rate Revenue Bonds (Centennial Campus Projects), Series 1999A (the "1999A Bonds") issued pursuant to the Centennial Campus Financing Act, Chapter 116, Article 21B of the General Statutes of North Carolina, as amended;

WHEREAS, pursuant to the Bond Resolution, the Board has determined to designate the refunding of the 1999A Bonds and the costs related thereto, including the cost of a termination payment related to an interest swap agreement with respect to the 1999A Bonds, as a “special obligation project” within the meaning of Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (the “Act”);

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of the University of North Carolina as follows:

Section 1. Authorization of Bonds. The Board hereby authorizes the issuance of Bonds under the Bond Resolution to refund all of the outstanding 1999A Bonds and to pay the costs incurred in connection with refunding the 1999A Bonds including the payment of a termination payment with respect to the interest rate swap agreement entered into with respect to the 1999A Bonds.

Section 2. Designation as Special Obligation Bond Projects. Pursuant to Section 116D-26 of the Act and the Bond Resolution, the Board hereby designates each of the facilities to be refinanced pursuant to the refunding of the 1999A Bonds as additional “special obligation bond projects” within the meaning of the Act.

Section 3. General Authority. The Chairman, the Vice President-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the University of North Carolina are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out the refunding of the 1999A Bonds.

Section 4. Effective Date. This Resolution is effective immediately on the date of its adoption.