

APPENDIX E

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 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. Since the last approved pooled issue in the Fall of 2004, six institutions (East Carolina University, Fayetteville State University, the University of North Carolina at Asheville, the University of North Carolina at Charlotte, the University of North Carolina at Greensboro, and the University of North Carolina at Wilmington) have asked to be included in a seventh pooled issue to refund bonds previously approved and issued by the Board of Governors currently outstanding at higher interest rates. Based on the current bond market, it is likely that the 1998 and 2000 pooled issues would also generate savings and reduce covenants if refunded. The 1998 and 2000 pooled issues involved nine campuses (Appalachian State University, East Carolina University, North Carolina A & T State University, North Carolina School of the Arts, North Carolina State University, the University of North Carolina at Asheville, the University of North Carolina at Charlotte, the University of North Carolina at Pembroke, and Western Carolina University). The size of the bond issue is now being finalized and, depending on market factors, is anticipated to be between \$65 million and \$115 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 maturity being for a period of 15 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. Wachovia Securities is providing senior underwriting services for the bonds. Robinson, Bradshaw & Hinson, P.A., will serve as the underwriters' counsel. The trustee will be selected by a Request for Proposals process. It is planned for the bonds to be insured by Ambac Assurance Corporation.

The refunding plan for the institutions anticipates achieving net present value savings of at least 2.0%, totaling over \$4.1 million.

It is recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to issue and sell 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