

Sale of Special Obligation Bonds – The University of North Carolina at Chapel Hill

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.

The University of North Carolina at Chapel Hill requests that the Board issue special obligation bonds for the purpose of financing (1) the refunding of indebtedness issued under the UNC-CH/NCSU Commercial Paper Program, the proceeds of which were used to pay a portion of the costs of the 2009 projects as listed below; (2) the costs of acquiring, constructing, and equipping capital improvement projects previously approved by the Board of Governors and the North Carolina General Assembly as listed below; (3) the refunding of all or a portion of prior revenue bonds issued on behalf of UNC-Chapel Hill that result in sufficient savings to UNC-Chapel Hill; (4) capitalizing interest on a portion of the 2009 Bonds; and (5) providing for the costs incurred in connection with the issuance of the 2009 Bonds. The 2009 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds, taxable “Build America Bonds” and other taxable bonds as the Vice President for Finance of the University, in consultation with the appropriate officers at UNC-Chapel Hill, determine to be in the best interest of the University.

The issuance of bonds for new projects previously approved by the Board and the General Assembly will not exceed a par amount of \$300,000,000 (the size of the bond issue is being finalized). These bonds will include amounts needed to refund indebtedness issued under the UNC-CH/NCSU Commercial Paper program for these new projects.

Proceeds of the 2009 bonds will be used to fund a combination of the below projects in a combination and in an amount not to exceed the individual project limits and not to exceed, in total, \$300,000,000.

<b>Project</b>	<b>Not to Exceed Amount</b>
Research Resource Facility	3,700,000
Rizzo Center	13,697,929
Residence College Phase III	1,255,639
Science Complex - Phase I	14,199,361
Brinkhouse Bullitt - Translational Medicine	4,000,000
Carmichael Auditorium	26,500,000
Carmichael Residence Hall	6,800,000
Fetzer Gym Expansion	2,500,000
Genetic Medicine Building	24,212,902
Old East/Old West	5,200,000
Rosenau Hall	1,650,000
Sports Medicine - Woollen Gym	8,000,000
Utility Infrastructure	90,402,308
Kenan Stadium Phase I	25,000,000
Science Complex - Phase II	77,200,000
Bell Tower/Genomics	44,500,000
Dental Sciences Teaching & Learning Bldg.	20,000,000

The issuance of bonds to refund all or a portion of prior revenue bonds issued on behalf of UNC-Chapel Hill, for interest savings, will not exceed \$100,000,000.

The Board of Governors, on behalf of the University of North Carolina at Chapel Hill, had entered into a forward-starting interest rate swap as a hedge for the 2009 transaction with the Bank of New York as the counterparty and a start date of December 1, 2009. Since the 2009 bonds are being issued as fixed-rate instruments, the financing plan is to modify the start date on the interest rate swap to move the start date to December 1, 2011 to serve as a hedge for the next planned bond issue.

UNC-CH is currently rated by Moody's Investor Service as an Aa1 institution. UNC-CH's expendable resources to debt ratio is 1.53 and its debt services to operations ratio is 3.51%,

both consistent with the UNC-CH Board of Trustee's policy ceiling. After issuance of these bonds, it is expected UNC-CH would maintain its Aa1 rating.

It is recommended that the Vice President for Finance be authorized to sell the special obligation bonds between the November 2009 and the January 2010 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 THE  
UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL