Item 2

Sale of Special Obligation Bonds – East Carolina University

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.

East Carolina University requests that the Board issue special obligation bonds for the purpose of financing (1) the costs of constructing and equipping capital improvement projects previously approved by the Board of Governors and the North Carolina General Assembly as detailed below; (2) the refunding of all or a portion of prior revenue bonds issued on behalf of ECU that result in changing interest rates from variable to fixed, thereby eliminating remarketing, liquidity and interest rate risks, and/or providing sufficient savings to ECU; (3) capitalizing interest on a portion of the 2010 Bonds; and (4) providing for the costs incurred in connection with the issuance of the 2010 Bonds. The 2010 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 President of the University, or his designee, in consultation with the appropriate officers at ECU, 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 $38,700,000, with an expected issuance amount of $32,000,000. The proceeds would be used to pay the cost of constructing new athletic facilities, including a track and field facility, a new women's soccer complex with seating for 1,000 spectators, a new team building with offices and support services for the "Olympic sports", a parking lot, and drainage improvements for the property. These improvements will be funded from a $70 debt service fee previously approved by the Board of Governors. Funds will also be used to provide additional dining facilities and make improvements to Tyler Residence Hall, including fire suppression systems, complete bathroom renovations, asbestos abatement, and ADA compliance. The University intends to retire the debt for these improvements with dining and housing receipts.

The issuance of bonds to refund all or a portion of prior revenue bonds issued on behalf of ECU will not exceed $23,000,000. It is possible that no bonds will be refunded with this transaction.

ECU is currently rated Aa3 and AA- by Moody's Investor Service and Standard & Poors, respectively. ECU's expendable resources to debt ratio after issuance of this proposed debt will be 1.20 and its debt service to operations ratio will be 2.2%, both consistent with ECU's debt management guidelines. After issuance of these bonds, it is expected ECU would maintain its Aa3/AA- rating.

Wells Fargo Securities will be the senior underwriter for the issue, and Jackson Securities, LLC will serve as the co-underwriter. Parker Poe is bond counsel. First Southwest is the financial advisor.

It is recommended that the President of the University, or his designee, be authorized to sell the special obligation bonds between the April 2010 and the June 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 EAST CAROLINA UNIVERSITY