

Sale of Special Obligation Bonds – The University of North Carolina at Wilmington

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.

UNC Wilmington requests that the Board issue special obligation bonds for the purpose of financing (1) the costs of constructing and equipping a capital improvement project previously approved by the Board of Governors and the North Carolina General Assembly as detailed below; (2) capitalizing interest on a portion of the 2010 Bonds; and (3) 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 UNCW, determine to be in the best interest of the University.

Build America Bonds were authorized by Congress in 2009 as part of the Federal Stimulus program (ARRA) to benefit issuers of municipal bonds. Qualifying issuers of municipal debt are permitted to issue taxable bonds and receive a subsidy payment from the Federal government equal to 35% of the interest cost. To be eligible, projects must meet all of the requirements of tax exempt debt.

The issuance of bonds for the new project previously approved by the Board and the General Assembly will not exceed a par amount of \$15,750,000. The proceeds, along with a \$15,000,000 award by the National Institute of Standards and Technology (NIST), would be

used to pay the cost of constructing a new facility to house MARBIONC, a biotechnology development program established in 2004 at the University's Center for Marine Science, which focuses on the application of marine biotechnology for health, food and energy. Research areas include drug discovery, detection technologies for human-origin marine pollutants and biotoxins from microorganisms, and algae farming for biofuels and mariculture. These improvements will be funded from a combination of lease agreements, university unrestricted funds, and facilities and administrative receipts (F&A receipts).

UNCW is currently rated A1 by Moody's Investor Service. In May of 2010, Moody's Investors Service recalibrated their U.S. Municipal Ratings to its Global Scale. The recalibration resulted in UNCW moving up from a rating of A2 to A1 on the global scale. After issuance of the bonds, it is expected that UNCW would maintain its A1 rating.

BB&T Capital Markets will be the underwriter for the issue. 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 September 2010 and the October 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
PROJECT FOR THE UNIVERSITY OF NORTH CAROLINA AT
WILMINGTON**