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

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 Charlotte requests that the Board issue special obligation bonds for the purpose of (1) financing the construction and equipping of a football complex and related facilities on the campus of UNCC, (2) refinancing of UNCC indebtedness and refunding all or a portion of prior revenue bonds or special obligation bonds issued for the benefit of UNCC that result in sufficient savings, and (3) paying 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 UNCC, 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 project previously approved by the Board and the General Assembly will not exceed a par amount of $42,525,000. These improvements will be funded from a $120 debt service fee previously approved by the Board of Governors.

The issuance of bonds to refund all or a portion of prior revenue bonds or special obligation bonds issued on behalf of UNC Charlotte will not exceed $4,800,000. It is possible that no bonds will be refunded with this transaction.

UNC Charlotte is currently rated Aa3 and A+ by Moody's Investor Service and Standard & Poors, respectively. UNCC's expendable resources to debt ratio after issuance of this proposed debt will be 0.91 which is consistent with the Moody's median for issuers with the same credit rating. After issuance of these bonds, it is expected UNCC would maintain its Aa3/A+ rating.

Morgan Stanley will be the underwriter for the issue. Stephens Inc. will be the co-underwriter. Robinson, Bradshaw and Hinson is bond counsel. RBC Capital Markets 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 November 2010 and the January 2011 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 AND REFINANCE SPECIAL OBLIGATION BOND PROJECTS FOR THE UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE