

APPENDIX Z

Authorization of the Sale of Bonds – System-Wide

Historically, the Board of Governors has issued revenue bonds, and, since 2000 special obligation bonds, to finance capital projects on an institution-by-institution basis. In the Fall of 1998, for the first time, the Board of Governors approved the issuance of pooled bonds for multiple campuses rather than individual institutional issues; nine of the campuses participated. A pooled issue benefits the institutions by spreading the fixed costs of issuing bonds among all participants and is attractive to investors who prefer larger principal amounts in each maturity over the smaller ones associated with a borrowing by a single institution. In 2000, seven institutions asked to be included in a second pooled issue and those bonds were issued in October 2000.

The Office of the President now proposes a pooled loan program designed principally to meet short-term borrowing needs of the constituent institutions although long-term borrowing is also possible. The program would utilize tax-exempt variable rate bonds. Each constituent institution borrowing from the pool would be obligated only for its own borrowing. The borrowing can be of any size greater than \$1,000,000. Loans can be prepaid without penalty, and if a constituent institution desires, the variable interest rate can be swapped to a fixed rate for all or part of the amount and/or term of the loan. The funds may be borrowed using any of the constituent institution's available pledges as security.

Short-term uses of the program include interim financing for projects where total financing costs are uncertain, or for projects awaiting traditional fixed rate financing on an individual or pooled basis. Medium-term financing

would be possible for equipment or for smaller projects that do not require long-term amortization. Also, refinancing of outstanding loans would be possible. The funds would be available for capital improvements authorized by the Board of Governors. The following campuses have indicated interest in utilizing these funds within the next year: Appalachian State University, Elizabeth City State University, UNC-Asheville, UNC-Pembroke, UNC-Wilmington, Western Carolina University, and Winston-Salem State University.

The Board would issue the bonds and then make a “loan” to each institution participating in the pool. The bonds would be outstanding for up to 25 years. Expected loans to be made initially are listed on Schedule A.

It is recommended that the pooled loan program be approved. It is further recommended that the Vice President for Finance be authorized to execute loans to the campuses only for projects previously approved by the Board.

The size of the bond issue is now being finalized and it is requested that the amount of bonds be issued in an amount not to exceed \$50 million.

The University has been assisted in drafting the bond documents by the legal firms of Parker, Poe, Adams & Bernstein, LLP, and Thigpen, Blue, Stephens & Fellers. Banc of America Securities LLC is providing financial advising and underwriting services of the bonds. The underwriter’s counsel is the firm of Helms, Mulliss & Wicker, LLP. Bank of America will serve as the letter of credit bank. The trustee will be the Bank of New York.

It is recommended that the following resolution be approved.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOLED LOAN PROGRAM 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.

Schedule A
The University of North Carolina
Variable Rate Demand Bond Pool Projects

	<u>Not To Exceed</u> <u>Amount</u>	<u>Expected</u> <u>Start Date</u>
Appalachian State University		
1 Student Recreation Center - Phase I	4,000,000	May 2002
2 Residence Hall Comprehensive Renovations	5,500,000	August 2002
3 Residence Halls Comprehensive Renovations	6,200,000	August 2003
Elizabeth City State University		
4 Residence Hall Upfit	910,000	May 2002
5 Refinance Housing System Bonds	3,600,000	July 2002
6 Renovation of Campus Dining Facility	1,200,000	September 2002
The University of North Carolina at Asheville		
7 New Residence Hall	11,500,000	May 2002
The University of North Carolina at Pembroke		
8 Surface Parking Lot	275,000	September 2002
9 Renovation of Office Space	1,200,000	September 2002
10 University Center Expansion	3,000,000	September 2002
11 Improvements to Student Recreation Facilities	600,000	September 2002
12 Auxiliary Services Building	1,500,000	August 2003
The University of North Carolina at Wilmington		
13 Surface Parking Lot	1,500,000	May 2002
14 Residence Halls - Renovations and Repairs	500,000	May 2002
15 Refinance Bank Loans - Parking System	300,000	May 2002
16 Westside Building Expansion	3,000,000	February 2003
Western Carolina University		
17 Student Recreation Center	11,500,000	August 2002
18 Athletic Facilities	8,500,000	October 2002
Winston-Salem State University		
19 Renovations to Residence Halls	3,100,000	May 2002
TOTAL	67,885,000	