

APPENDIX B

Authorization of the Sale of Revenue Bonds – System-Wide

Prior to 1998, the Board of Governors issued revenue bonds to finance capital projects on an institution-by-institution basis. In November 1998 and in October 2000, the Board approved the issuance of pooled bonds for several campuses rather than individual institutional issues. A pooled issue presents an attractive offering for investors often resulting in lower interest rates and improved bond insurance rates. Additionally, the fixed costs of issuing bonds are spread among all participants resulting in savings for individual institutions through economies of scale. Nine institutions (Appalachian State University, Elizabeth City State University, Fayetteville State University, the University of North Carolina at Charlotte, the University of North Carolina at Greensboro, the University of North Carolina at Pembroke, the University of North Carolina at Wilmington, Western Carolina University, and Winston-Salem State University) have asked to be included in a third pooled issue to finance 17 projects previously approved by the Board of Governors. Included in this issuance is the repayment of bank loans and bonds currently outstanding at higher interest rates. The size of the bond issue is now being finalized and is anticipated to be between \$65 million and \$70 million.

The Board of Governors 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, with the average loan being for a period of 18 years.

The University has been assisted in drafting the bond documents by the legal firms of Parker, Poe, Adams & Bernstein and Thigpen, Blue, Stephens & Fellers. Legg Mason Wood Walker, Lehman Brothers, and BB&T Capital Markets are providing financial advising and underwriting services of the bonds. The underwriters’ counsel is the firm of Helms Mulliss &

Wicker, PLLC. Wachovia Bank, N.A. is the trustee, and their counsel is Hunton & Williams.

The bonds will be insured by AMBAC Assurance Corporation.

It is recommended that the following resolution be approved.

A RESOLUTION AUTHORIZING THE ISSUANCE OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM POOL 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