

Sale of Special Obligation Bonds - Appalachian State 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.

Appalachian State University has requested that the Board issue special obligation bonds for the purpose of (1) refunding all or a portion of the Series 2006A University of North Carolina System Pool Revenue Bonds issued for the benefit of Appalachian State University that result in sufficient savings, and (2) paying the costs incurred in connection with the issuance of these 2014 Bonds. The 2014 Bonds may be issued in one or more series, including any combination of tax-exempt bonds and taxable bonds as the President of the University, or his designee, in consultation with the appropriate officers at ASU, determine to be in the best interest of the University. The issuance of bonds to refund all or a portion of prior revenue bonds or special obligation bonds issued on behalf of ASU will not exceed a par amount of \$35,000,000. It is possible that no bonds will be refunded with this transaction if market conditions at the time of pricing do not produce sufficient savings.

Appalachian State University currently has an issuer credit rating of Aa3 by Moody's Investor Service. After issuance of these bonds, it is expected ASU will maintain its rating.

Appalachian State University expects to sell the bonds competitively. Hunton & Williams is bond counsel; First Tryon Advisors is the financial advisor.

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It is recommended that the President of the University, or his designee, be authorized to sell the special obligation bonds between the October 24, 2014 and December 31, 2014 through the following resolution:

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE
UNIVERSITY OF NORTH CAROLINA AUTHORIZING
THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO
REFINANCE SPECIAL OBLIGATION BOND PROJECTS
FOR APPALACHIAN STATE UNIVERSITY**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, as amended, the Board of Governors (the “Board”) of the University of North Carolina (the “University”) is vested with general control and supervision of Appalachian State University (“ASU”), East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, North Carolina School of Science and Mathematics, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill, 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, University of North Carolina School of Arts, Western Carolina University and Winston-Salem State University and other institutions; and

WHEREAS, the Board is authorized by Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (the “Act”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing a special obligation project and refunding bonds for the purpose of refunding any bonds issued by the Board under the Act or under any Article of Chapter 116 of the General Statutes, including the payment of any redemption premium on the bonds refunded and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS, the Board has determined to issue not to exceed \$35,000,000 aggregate principal amount of Appalachian State University General Revenue Refunding Bonds, Series 2014 (with appropriate designations and series designations) in one or more series (the “2014 Refunding Bonds”), to (a) refund all or a portion of the Board’s \$87,295,000 The University of North Carolina System Pool Revenue Bonds, Series 2006A (the “Refunded Bonds”) and (b) pay the costs of issuing the 2014 Refunding Bonds; and

WHEREAS, all of the projects to be refinanced with the proceeds of the 2014 Refunding Bonds are collectively referred to herein as the “Special Obligation Bond Projects”; and

WHEREAS, the Board has determined to issue the 2014 Refunding Bonds under the General Trust Indenture, dated as of November 1, 2003 (the “General Indenture”), between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), and Series Indenture, Number 10, to be dated as of November 1, 2014 (the “Tenth

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Series Indenture” and, together with the General Indenture, the “Indentures”), between the Board and the Trustee; and

WHEREAS, the 2014 Refunding Bonds and other obligations issued under the General Indenture are payable solely from “Available Funds” as defined in the General Indenture; and

WHEREAS, there have been made available to the Board forms of the following documents (hereinafter collectively referred to as the “Board Documents”), which the Board proposes to approve, execute and deliver, as applicable, to effectuate the financing:

1. the Tenth Series Indenture;
2. the form of the 2014 Refunding Bonds, as set forth in the Tenth Series Indenture;
3. an Escrow Agreement dated as of November 1, 2014, between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent; and
4. the Preliminary Official Statement (the “Preliminary Official Statement”) relating to the 2014 Refunding Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “Official Statement”), relating to the 2014 Refunding Bonds.

WHEREAS, the issuance of the 2014 Refunding Bonds does not directly or indirectly or contingently obligate the State of North Carolina or any agency or political subdivision of the State to levy or to pledge any taxes to pay the cost, in whole or in part, of refinancing the Special Obligation Bond Projects in compliance with Section 116D-23 of the Act;

NOW, THEREFORE, BE IT RESOLVED by the Board of Governors of the University of North Carolina as follows:

Section 1. Sufficiency of Available Funds. The Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the 2014 Refunding Bonds.

Section 2. Authorization of Bonds. The Board hereby authorizes and approves the issuance of the 2014 Refunding Bonds in the maximum amount of \$35,000,000, by December 31, 2014, subject to the terms and conditions of this Resolution.

Section 3. Authorization of Board Documents. The form and content of the Board Documents are hereby in all respects authorized, approved and confirmed, and the Chairman of the Board, the President, the Chief Operating Officer and Vice President-Finance of the University, the Secretary and the Assistant Secretary of the Board and the Secretary of the University (collectively, the “Authorized Officers”) are hereby authorized, empowered and directed, individually and collectively, to execute and deliver the Board Documents for and on behalf of the Board, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as any Authorized Officer may deem necessary, desirable or appropriate, including such changes as may be necessary to reflect the terms of the 2014 Refunding Bonds (including, but not limited to, the setting of interest rates, whether fixed rate to one or more terms or to maturity, or variable

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rates, and the amortization of principal). The execution of the Board Documents shall constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein. From and after the execution and delivery of the Board Documents, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the General Indenture and the Board Documents as executed.

Section 4. Authorization of Preliminary Official Statement and Official Statement. The form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement and the Official Statement by the underwriter in connection with the sale of the 2014 Refunding Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President, the Chief Operating Officer and the Vice President-Finance of the University are hereby authorized, empowered and directed, individually and collectively, to execute and deliver the Preliminary Official Statement and the Official Statement for and on behalf of the Board, in connection with the sale of the 2014 Refunding Bonds in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as the President, the Chief Operating Officer and the Vice President-Finance of the University may deem necessary, desirable or appropriate. The execution of such disclosure documents by any of the officers listed above shall constitute conclusive evidence of the Board's approval of such documents, and any and all such changes, modifications, additions or deletions therein. The use of such Preliminary Official Statement and Official Statement by the underwriter in connection with the sale of the 2014 Refunding Bonds to investors is hereby authorized, approved and confirmed.

Section 5. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of such documents as executed, and are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary for the issuance and sale of the 2014 Refunding Bonds. The 2014 Refunding Bonds may be sold either by competitive sale or in a negotiated sale to an underwriter selected by ASU, and the foregoing officers are hereby authorized, empowered and directed to execute and deliver such documents, instruments and certificates as may be required to affect the sale of the 2014 Refunding Bonds in either a competitive or a negotiated sale. The Authorized Officers are further authorized to take any and all further actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2014 Refunding Bonds.

Section 6. Conflicting Provisions. All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

Section 7. Effective Date. This Resolution is effective immediately on the date of its adoption.