

3. Special Obligation Bond Maturity Date Modification – UNC-CH.....Jonathan Pruitt

**Situation:** Kenan Stadium Phase II was a \$63 million construction project that filled in the stadium oval in the East end zone. \$41M of the project was to be funded by UNC-CH and \$22M was to be funded through private donations to the Educational Foundation and gifted to the university. The facility was leased to the Educational Foundation to construct the improvements, finance the construction, and to fund raise for the project. The Educational Foundation financed the construction through a line of credit with BB&T that is set to expire in August of 2016. On December 12, 2012, the university closed on a purchase transaction to buy the real property back from the Educational Foundation by issuing a privately placed bond to the Educational Foundation in the amount up to \$41M with a maturity date to coincide with maturity date of the BB&T line of credit in August of 2016.

**Background:** The Board of Governors is authorized to issue special obligation bonds for capital improvements projects that have been approved by the General Assembly. This project has been previously approved by the Board of Governors and the General Assembly.

**Assessment:** BB&T has approached the Educational Foundation about extending the current line of credit by ten years. The BB&T line of credit was underwritten based on the support of the University in the form of the purchase agreement and the special obligation bond. As a result of the extension of the line of credit, UNC-CH would like to push the current maturity date for the special obligation bond by 27 years which would equal a 30-year term from original bond issuance in 2012 and allow for the Educational Foundation's line of credit with BB&T to be extended.

**Action:** This item requires a vote.

## Special Obligation Bond Maturity Date Modification – The University of North Carolina at Chapel Hill

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.

In 2012, the University of North Carolina at Chapel Hill requested that the Board issue special obligation bonds for the purpose of acquiring improvements to Kenan Stadium that were made through a lease agreement between the Educational Foundation, Inc. and the State of North Carolina. The debt was to be repaid with revenues specific to the project including private gifts and donations and premium seat revenues. The project was previously approved by the Board of Governors and the North Carolina General Assembly and the lease agreement was approved by the UNC-CH Board of Trustees, the Board of Governors, and the North Carolina Council of State. The 2012 Bond was issued as a privately placed bond to the Educational Foundation with a maturity date that coincided with the maturity date of the line of credit the Educational Foundation has through BB&T in August of 2016. The financing plan has been that at the time of the expiration of the line of credit with BB&T, the Special Obligation Bond would be in effect and would equal the amount outstanding on the BB&T line of credit.

BB&T has approached the Educational Foundation about extending the current line of credit by ten years. The original line of credit was underwritten based on the support of the university in the form of a purchase agreement and the special obligation bond. In order to

allow for the extension of the line of credit, UNC-CH needs to extend the maturity of the special obligation bond. They request that it be extended by 27 years from the current maturity date in 2016, which will equal a 30-year term from the original issuance of the bond in 2012. The bond would be for an amount not to exceed \$30 million which equals the current amount outstanding on the BB&T line of credit.

UNC-CH is currently rated Aaa by Moody's Investor Service. The modification of the maturity date on this special obligation bond will have no impact on their credit rating.

It is recommended that the President of the University, or his designee, be authorized to modify the maturity date on the special obligation bond.

**RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY  
OF NORTH CAROLINA AMENDING THE AUTHORIZATION FOR THE  
ISSUANCE OF SPECIAL OBLIGATION BONDS TO FUND THE  
SPECIAL OBLIGATION BOND PROJECT FOR THE UNIVERSITY OF  
NORTH CAROLINA AT CHAPEL HILL**

**WHEREAS**, the Board of Governors (the “*Board*”) of the University of North Carolina (the “*University*”) adopted resolutions on June 10, 2011 and June 15, 2012 (the “*Prior Resolutions*”) authorizing the issuance of The University of North Carolina at Chapel Hill General Revenue Bond (Kenan Stadium Improvements Phase II) (the “*Bond*”) to, together with other funds of The University of North Carolina at Chapel Hill, acquire from The Educational Foundation, Inc. (the “*Educational Foundation*”) improvements made to Kenan Stadium (the “*Special Obligation Bond Project*”);

**WHEREAS**, the Board issued the Bond in an aggregate principal amount of \$41,000,000 and a final maturity date of August 18, 2016 under the General Trust Indenture dated as of January 15, 2001 between the Board and The Bank of New York, the successor to which is The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”) and Series Indenture, Number 11 dated as of December 1, 2012 (the “*Eleventh Series Indenture*”) between the Board and the Trustee;

**WHEREAS**, the Educational Foundation continues to raise funds on its own to pay down its financing for the Special Obligation Bond Project and the Educational Foundation will use the proceeds from the University’s payment on the Bond to pay off the remainder of its loan to the extent it is unable to raise the full amount otherwise;

**WHEREAS**, in order to allow the Educational Foundation more time to continue to raise funds to pay down its loan, the University and the Educational Foundation have agreed to amend the Eleventh Series Indenture to extend the maturity of the Bond and reissue the Bond in the aggregate principal amount of \$30,000,000, which is the approximate principal amount outstanding on the Educational Foundation’s loan;

**WHEREAS**, there has been made available to the Board the form of Amendment Number One to Series Indenture, Number 11 dated as of June 1, 2015 (the “*Amendment*”) between the Board and the Trustee, and to be consented to by the Educational Foundation, which the Board proposes to approve, ratify, execute and deliver, as applicable, to effectuate the foregoing;

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

Section 1. ***Authorization of Amendment and Bond.*** That the form and content of the Amendment and the Bond (the “*Board Documents*”) be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President, the Senior Vice President and Chief Operating Officer of the University, the Secretary and Assistant Secretary of the Board and the Secretary of the University (the “*Authorized Officers*”), be and

they hereby are each authorized, empowered and directed 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 shall to them seem necessary, desirable or appropriate, their execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein, and that from and after the execution and delivery of the Board Documents the Authorized Officers are each 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 Board Documents as executed.

Section 2. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are each 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 said Board 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 to the issuance and on-going administration of the Bond.

Section 3. ***Prior Resolutions.*** The Prior Resolutions of the Board are hereby amended and modified as set forth in this Resolution; however, all other provisions of the Prior Resolutions not so expressly modified are hereby ratified and affirmed.

Section 4. ***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 5. ***Effective Date.*** This Resolution is effective immediately on the date of its adoption.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 22nd day of May, 2015 and that the same was passed and adopted by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

*PASSED, ADOPTED, AND APPROVED* this 22nd day of May, 2015.

STATE OF NORTH CAROLINA

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SECRETARY'S CERTIFICATE

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SS:

OF AUTHENTICATION

COUNTY OF ORANGE

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I, Ann Lemmon, Secretary of the University of North Carolina, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina at its regular meeting on May 22, 2015 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina held on May 22, 2015 was sent to each member of the Board, and (3) a quorum was present at the meeting on May 22, 2015 at which time the foregoing Resolution was adopted.

**WITNESS**, my hand and the seal of the University of North Carolina this \_\_\_\_\_ day of May, 2015.

[SEAL]

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Ann Lemmon, Secretary  
The University of North Carolina