

Refinancing of Housing Foundation Indebtedness – UNCSA

UNCSA requests that the Board authorize an amendment to a previously approved use agreement. UNCSA Housing Corp., a nonprofit entity created for the purpose of constructing student housing on the campus, financed the construction through the issuance of debt. Previously approved by the Board of Governors and the Council of State, UNCSA entered into a lease agreement and a use agreement that established a debt service schedule, and the amount of rent to be paid by UNCSA to UNCSA Housing Corp. for the student housing facilities. Due to the current favorable interest rate environment, the outstanding debt can be refinanced and the savings can be passed on to UNCSA. To accomplish this, the existing use agreement must be amended to adjust the debt service schedule to reflect the savings from the refinancing, make certain conforming changes to reduce or eliminate covenant requirements on UNCSA, and also adjust the rent to be paid by UNCSA to UNCSA Housing Corp.

UNCSA Corp. plans to refinance approximately \$5.8 million in outstanding Certificates of Participation (COPs) for student housing projects financed in 2005. Specifically, refunding certificates will be issued for the purpose of (1) refunding \$5.8 million of Student Housing Project, Series 2005 Certificates of Participation and, (2) paying transaction costs incurred in connection with the refunding (2015 Certificate of Participation).

The issuance of COPs to refund the prior certificates of participation will not exceed a par amount of \$5.8 million. The University has received a fixed interest rate of 2.99% from Capital One Public Funding, LLC that is locked in and not subject to market risk through the closing of the transaction. In total, the University will achieve approximately \$1.2 million in

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gross cash savings and \$771,000 in net present value savings representing 13.2% of refunded par amount of bonds.

Capital One Public Funding, LLC will purchase the refunding COPs. First Tryon Advisors is serving as the financial advisor. Parker Poe Adams & Bernstein LLP serves as bond counsel.

It is recommended that UNCSA be authorized to enter into the revised agreements as set out in the attached resolution.

**A RESOLUTION AUTHORIZING AGREEMENTS RELATED TO THE
REFINANCING OF RENTALS RELATED TO THE CONSTRUCTION OF
STUDENT HOUSING FACILITIES ON THE CAMPUS OF THE
UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, 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, East Carolina University, Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, North Carolina Central University, The University of North Carolina School of the Arts (“*UNCSA*”), 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 and Winston-Salem State University and other institutions; and

WHEREAS, NCSA Housing Corporation, now known as UNCSA Housing Corporation (the “*Corporation*”), executed and delivered its Certificates of Participation (North Carolina School for the Arts Student Housing Project), Series 2005 (the “*2005 Certificates*”), the proceeds of which were used to acquire a student housing facility containing 156 beds and certain related facilities connected to the campus of UNCSA (the “*Project*”); and

WHEREAS, the Corporation, as lessor, and the State of North Carolina (the “*State*”), as lessee, have entered into a Lease Agreement dated as of September 16, 2005 (the “*Lease*”), whereby the Corporation leases to the State the Project and the real property on which the Project is located and whereby UNCSA, under a Use Agreement dated as of September 1, 2005 (the “*2005 Use Agreement*”) between UNCSA and the Corporation, agrees to pay Base Rentals and any Additional Rentals (as those terms are defined in the Use Agreement defined below and collectively referred to herein as “*Rent*”); and

WHEREAS, UNCSA has determined that it is in its best interests to prepay the 2005 Certificates in advance of their maturities; and

WHEREAS, under an Indenture of Trust dated as of September 1, 2005 (the “*2005 Indenture*”) between the Corporation and Wachovia Bank, National Association, the successor to which is U. S. Bank National Association, as trustee (the “*Trustee*”) and Supplemental Indenture, Number 1 dated as of June 1, 2015 (the “*First Supplement*” and together with the 2005 Indenture, the “*Indenture*”) between the Corporation and Trustee, the Corporation will execute and deliver a Refunding Certificate of Participation (The University of North Carolina School for the Arts Student Housing Project), Series 2015 (the “*2015 Certificate*”), to provide the funds to prepay the 2005 Certificates in advance of their maturities; and

WHEREAS, UNCSA has determined that it is in its best interests to amend the Use Agreement in connection with the execution and delivery of the 2015 Certificate so as to reduce its base rentals over the term of the Lease and establish Base Rentals in an amount sufficient to pay the principal and interest with respect to the 2015 Certificate and make other conforming

changes (the “*Amendment*” and collectively with the 2005 Use Agreement, the “*Use Agreement*”); and

WHEREAS, the 2015 Certificate is not and will not be an obligation of the Board or UNCSA, but will be secured solely from the Base Rentals paid by UNCSA; and

WHEREAS, there has been presented to the Board forms of the First Amendment to the Use Agreement (the “*Amendment*”) which the Board proposes to approve and authorize UNCSA to execute and deliver and the First Supplement; and

NOW, THEREFORE, THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Authorization of the Amendment and the First Supplement. That the form and content of the Amendment and the First Supplement be and the same hereby are in all respects authorized, approved and confirmed, and the Chancellor and Chief Operating Officer of UNCSA and the President, the Senior Vice President and the Chief Operating Officer or Vice President-Finance of the University be and they hereby are authorized, empowered and directed to execute, approve and deliver the Amendment, including necessary counterparts, in substantially the form and content presented to the Board, but with such changes, modifications, additions or deletions therein as 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 Amendment, the Chancellor and Chief Operating Officer of UNCSA and the President, the Senior Vice President and the Chief Operating Officer or Vice President-Finance of the University 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 Amendment and the First Supplement as executed.

Section 2. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Chairman, the President, , the Senior Vice President and the Chief Operating Officer, the Vice President-Finance, the Secretary and the Assistant Secretary of the Board and the Chancellor and Chief Operating Officer of UNCSA 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 said 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 complete the transaction contemplated by the Amendment and the First Supplement and the execution and delivery of the 2015 Certificate.

Section 3. 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 4. Effective Date. This Resolution is effective on its adoption.