

Sale of Special Obligation Bonds – The University of North Carolina at Chapel Hill

ISSUE OVERVIEW

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.

The University of North Carolina at Chapel Hill requests that the Board issue special obligation bonds in an amount not to exceed \$125,000,000 for the purpose of (1) refinancing a portion of the 2009A Bonds issued on behalf of the University to achieve interest rate savings, (2) refinancing outstanding commercial paper bonds to provide long-term financing at a fixed interest rate for the facilities originally financed and (3) paying the costs incurred in connection with the issuance of the 2017 Bond. The 2017 Bond is expected to be issued in a single taxable series and publicly sold with J.P. Morgan Securities LLC and RBC Capital Markets, LLC serving as underwriters for the 2017 Bonds (the underwriters are part of the University's underwriting pool selected through a RFP process).

The Board's approval would permit the refundings to proceed at appropriate savings levels and other benefits to the University as the Senior Vice President for Finance and Budget, in consultation with the appropriate officers at the University, determine to be in the best interest of the University. The general policy is to achieve a minimum net present value savings threshold of 3.0% for a refunding for debt service savings.

The University of North Carolina at Chapel Hill currently has an issuer credit rating of "Aaa" with a Stable Outlook by Moody's Investor Service, an issuer credit rating of "AAA" with a Stable Outlook by S&P Global Ratings and an issuer credit rating of "AAA" with a Stable Outlook by Fitch Ratings. The refinancing is expected to have no impact on the University's credit ratings.

Parker Poe is bond counsel, and Prager & Co. is the financial advisor.

It is recommended that the president of the University, or her designee, be authorized to sell the special obligation bonds through the attached resolution.

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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 AND RELATED MATTERS FOR THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

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, North Carolina State University, The University of North Carolina at Asheville, The University of North Carolina at Chapel Hill (“*UNC 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, Western Carolina University and Winston-Salem State University and other institutions; and

WHEREAS, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “*Act*”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, (1) special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing special obligation projects and (2) 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 of North Carolina, including the payment of any redemption premium on them and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS; the Board has been advised that it may be able to achieve debt service savings by refunding in advance of their maturities all or a portion of The University of North Carolina at Chapel Hill General Revenue Bonds, Series 2009A (the “*2009A Bonds*”), the proceeds of which were used to finance and refinance the construction, renovation, improvement, equipping and furnishing of certain facilities on the UNC Chapel Hill campus;

WHEREAS; the Board has determined to refund some or all of The University of North Carolina at Chapel Hill General Revenue Bond, Series 2002A (the “*Commercial Paper Bonds*”), the proceeds of which were used to finance and refinance the construction, renovation, improvement, equipping and furnishing of certain facilities on the UNC Chapel Hill campus, in order to provide long-term financing for such facilities (the projects financed and refinanced with proceeds of the 2009A Bonds and the Commercial Paper Bonds and refinanced as described herein are collectively referred to as the “*Special Obligation Bond Projects*”); and

WHEREAS; the Board has determined to issue The University of North Carolina at Chapel Hill General Revenue Refunding Bonds (with appropriate descriptions and series designations) (the “*Bonds*”) in an aggregate principal amount not to exceed \$125,000,000 under the General Trust Indenture dated as of January 15, 2001 (the “*General Indenture*”) 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 15 between the Board and the Trustee (the “*Fifteenth Series Indenture*”) to (1) refund all or a portion of the 2009A Bonds and the Commercial Paper Bonds as determined in accordance with this Resolution and (2) pay the costs incurred in connection with the issuance of the Bonds; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any funds of UNC Chapel Hill or the Board in each Fiscal Year remaining after satisfying obligations of UNC Chapel Hill or the Board under a trust indenture, trust agreement or bond resolution providing for

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the issuance of debt of the Board with respect to UNC Chapel Hill as of the date of the General Indenture, including Unrestricted General Fund balances and Unrestricted Quasi-Endowment Fund balances shown as such on the UNC Chapel Hill financial statements, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC Chapel Hill students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof and (4) revenues generated by Special Facilities (as defined in the General Indenture) (the “*Available Funds*”); and

WHEREAS, the issuance of the Bonds does not directly or indirectly or contingently obligate the State 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 the Special Obligation Bond Projects in compliance with Section 116D-23 of the Act;

WHEREAS, the Board anticipates that the Bonds will be purchased and publicly offered by J.P. Morgan Securities LLC and RBC Capital Markets, LLC (collectively, the “*Underwriters*”) pursuant to the terms of a bond purchase agreement (the “*Purchase Agreement*”) between the Board and the Underwriters; and

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

1. the Fifteenth Series Indenture;
2. the Purchase Agreement;
3. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the refunding of the 2009A Bonds;
4. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the Bonds; and
5. the Bonds in the form set forth in the Fifteenth Series Indenture;

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

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$125,000,000 under the General Indenture and the Fifteenth Series Indenture. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt and taxable bonds, and for the appropriate savings levels and other benefits to UNC Chapel Hill in refunding the 2009A Bonds and the Commercial Paper Bonds, as the Senior Vice President for Finance and Budget of the University, in consultation with the appropriate officers at UNC Chapel Hill, determine to be in the best interest of the University and UNC Chapel Hill.

Section 2. **Sufficiency of Available Funds.** That the Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds.

Section 3. **Authorization of Board Documents.** That the form and content of the Board Documents be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, the Secretary

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and the Assistant Secretary of the Board and the Secretary of the University, individually and collectively (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 4. ***Authorization of Preliminary Official Statement and Official Statement.*** That 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 by the Underwriters in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Chairman of the Board, the President and the Senior Vice President for Finance and Budget of the University, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board 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 shall to them seem necessary, desirable or appropriate, his execution of the Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and the use of the Official Statement by the Underwriters in connection with the sale of the Bonds 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 and the Vice Chancellor for Finance and Administration of UNC Chapel Hill 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 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 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.

PASSED, ADOPTED, AND APPROVED this 8th day of September, 2017.