

Authorization of the Sale of Pooled Special Obligation Bonds

In November 1998, the Board approved for the first time the issuance of pooled bonds for long-term debt 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. Since the last approved pooled issue in the Spring of 2005, six institutions (Appalachian State University, East Carolina University, North Carolina A&T State University, University of North Carolina at Pembroke, University of North Carolina at Wilmington, and Western Carolina University) have asked to be included in an eighth pooled issue to provide bonds for new construction and to refund bonds previously approved and issued by the Board of Governors currently outstanding at higher interest rates. The size of the bond issue is now being finalized and, depending on market factors, is anticipated to be \$103.4 million, with \$58.3 million for new construction and \$45.1 million for refunding.

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 27 years with the average maturity being for a period of 14 years. The University has been assisted in drafting the bond documents by the legal firm of Womble Carlyle Sandridge and Rice. Banc of America Securities, A.G. Edwards and Sons, Inc., and Jackson Securities are providing underwriting services for the bonds. Parker Poe Adams and Bernstein will serve as the underwriters’ counsel. The trustee will be selected by a Request for Proposals process. It is planned for the bonds to be insured by MBIA Insurance Corporation.

The refunding plan for the institutions anticipates achieving net present value savings of at least 2.0%, totaling over \$1.6 million.

Bonds will be issued in two series. Series A consists of Appalachian State University, East Carolina University, the University of North Carolina at Wilmington, and Western Carolina University; Series B consists of North Carolina A&T State University and the University of North Carolina at Pembroke. Moody's Investors Service assigned a rating of A2 to both the 2006 Series A and B Pools, with a stable outlook. S&P assigned a rating of A+ to the Series A Pool and a rating of A- to the 2006B Pool.

It is recommended that the following Resolution be adopted and that the Vice President for Finance be authorized to issue and sell bonds between the November 2006 and January 2007 meetings of the Board of Governors, and for the refunding bonds, at such time as the net present value savings equal or exceed at least 2.0%.

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