

Sale of Special Obligation Bonds – East Carolina University

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.

East Carolina University (“ECU”) requests that the Board issue special obligation bonds in an amount not to exceed \$11,300,000 (the “2022 Bonds”) for the purpose of refunding the callable maturities of ECU’s General Revenue Bonds, Series 2013A (the “2013A Bonds”). ECU estimates that it can achieve approximately \$440,000 in net present value savings by refunding the 2013A Bonds, representing roughly 4.0 percent of the par amount refunded, which is based on a cost of funds of approximately 2.1 percent. The refunding of ECU’s 2013A Bonds will be subject to final review by the System Office to verify savings based on the interest rate environment at the time of the sale of the 2022 Bonds.

The 2022 Bonds will be issued on a tax-exempt basis and privately placed with DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A., which was selected through a competitive RFP process. The 2022 Bonds will be delivered for settlement on or before October 1, 2023, the call date for the 2013A Bonds, under the terms of a forward delivery bond purchase agreement, which will eliminate interest rate risk between now and the call date.

ECU has issuer credits rating of “Aa3” with a stable outlook by Moody’s Investors Service and “AA-” with a stable outlook from Standard & Poor’s Global. ECU is currently not rated by Fitch Ratings. This transaction is expected to have no impact on ECU’s credit rating.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon is the financial advisor.

RECOMMENDATION

It is recommended that the president of the University, or his 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 SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO REFUND SPECIAL OBLIGATION BOND PROJECTS FOR EAST CAROLINA UNIVERSITY

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the Board of Governors (the “Board”) of the University of North Carolina System (the “UNC System”) is vested with general control and supervision of the constituent institutions of the UNC System; 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 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, East Carolina University (“ECU”) and its financial advisor have advised the Board that it may be able to achieve debt service savings by refunding all or a portion of the East Carolina University General Revenue Refunding Bonds, Series 2013A (the “2013A Bonds”), the proceeds of which were used to refund prior bonds used to finance the costs of renovating and improving College Hill residence hall and repairing and renovating Dowdy-Ficklen Stadium;

WHEREAS, if debt service savings can be achieved, the Board has determined to issue its East Carolina University Taxable General Revenue Refunding Bond (with appropriate descriptions and series designations) (the “Bond”) in an aggregate principal amount not to exceed \$11,300,000 to (1) refund all or a portion of the 2013A Bonds (the “Refunded Bonds”) and (2) pay the costs of issuing the Bond;

WHEREAS, the Board has determined to issue the Bond under the General Trust Indenture dated as of June 1, 2003 (the “General Indenture”) between the Board and Wachovia Bank, National Association, the successor to which is U.S. Bank National Association, or its successor and assign, as trustee (the “Trustee”), and a Series Indenture (the “Series Indenture”) between the Board and the Trustee; and

WHEREAS, the Bond and other obligations issued under the General Indenture are payable solely from any legally available funds of ECU, or of the Board held for ECU, in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by ECU students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities (as defined in the General Indenture) and (5) funds restricted by law (the “Available Funds”);

WHEREAS, the Bond will be purchased by DNT Asset Trust, a wholly owned subsidiary of JPMorgan Chase Bank, N.A. (the “Purchaser”), on a forward-delivery basis pursuant to a forward delivery bond purchase agreement (the “Purchase Agreement”) between the Board and the Purchaser;

WHEREAS, in order to lock the interest rate with the Purchaser until the issuance of the Bond, the Board and ECU will either enter into a separate agreement with the Purchaser (a “Rate Lock Agreement”) or incorporate terms in the Purchase Agreement to pay an amount necessary to make the Purchaser

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whole for a change in interest rates if the Board does not issue the Bond as set forth in the Purchase Agreement;

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

1. the General Indenture;
2. the Series Indenture;
3. the Escrow Agreement to be dated the date of its execution between the Board and U.S. Bank Trust Company, National Association, as escrow agent, related to the refunding of the Refunded Bonds (the “Escrow Agreement”);
4. the Purchase Agreement; and
5. the Bond in the form set forth in the Series Indenture; and

WHEREAS, the issuance of the Bond 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 Bond in compliance with Section 116D-23 of the Act;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

Section 1. **Authorization of Bond.** That the Board hereby authorizes the issuance of the Bond in an aggregate principal amount not to exceed \$11,300,000 under the General Indenture and the Series Indenture to pay the costs of refunding the Refunded Bonds and costs incurred in connection with the issuance of the Bond. The Bond may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “SVP-Finance”), or his designee, in consultation with the appropriate officers at ECU, determine to be in the best interest of ECU to achieve debt service savings.

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 Bond and to provide for the maintenance and operation of the facilities at ECU to the extent required under the General Indenture.

Section 3. **Selection of Purchaser and other Financing Team Members.** That the Board ratifies the selection of the Purchaser for the Bond and authorizes the SVP-Finance and the Vice Chancellor for Administration and Finance of ECU to select any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. **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 of the UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, or anyone acting in an interim capacity, and their respective designees, 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

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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 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.

In order to lock the interest rate on the Bond before the issuance of the Bond, the Authorized Officers and the Vice Chancellor for Administration and Finance at ECU, individually or collectively, are authorized to (1) either enter into a Rate Lock Agreement or agree to similar terms in the Purchase Agreement whereby the Board will agree to make a payment under certain circumstances to compensate the Purchaser for a change in interest rates if the Bond is not issued in accordance with the Purchase Agreement, and (2) to the extent necessary, make any such payment from any legally available funds of ECU that may be required under the Rate Lock Agreement or the Purchase Agreement.

Section 5. **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 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. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions shall be read to permit such Authorized Officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Administration and Finance at ECU, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the Bond on behalf of ECU.

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 24th day of February, 2022.