

Sale of Special Obligation Bonds – UNC-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.

UNC-Chapel Hill requests that the Board issue special obligation bonds in an amount not to exceed \$593,000,000 for the purpose of (1) refunding all or a portion of the 2005A Bonds, the 2007 Bonds, and the Commercial Paper Bonds, and (2) pay the costs incurred in connection with the issuance of the 2015 Bonds. The 2015 Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the President of the University, or his designee, in consultation with the appropriate officers at UNC-CH, determine to be in the best interest of the University.

Based on the current interest rate environment, refinancing this outstanding indebtedness will result in significant savings. It is possible, although not likely, that the interest rate environment could change by the time the 2015 Bonds are sold. Interest rates will be monitored up to the date of pricing; if the environment is not favorable, no bonds will be sold.

UNC-Chapel Hill currently has an issuer credit rating of Aaa by Moody's Investor Service with a Stable Outlook and AAA with a stable outlook by Standard and Poor's. It is expected that UNC-CH will maintain its current credit rating after issuance of these bonds. Parker Poe is bond counsel and Prager & Company is the financial advisor.

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

**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 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 and Revenue Refunding Bonds, Series 2005A (the “*2005A Bonds*”) and all or a portion of The University of North Carolina at Chapel Hill General Revenue Bonds, Series 2007 (the “*2007 Bonds*”), the proceeds of each 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 2005A Bonds, the 2007 Bonds and the Commercial Paper Bonds and refinanced with the proceeds of the 2015 Bonds are collectively referred to herein 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, Series 2015 (with appropriate descriptions and series designations) in two or more series (the “*Bonds*”) in an aggregate principal amount not to exceed \$593,000,000 under a 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

APPENDIX H

The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”), Series Indenture, Number 13 between the Board and the Trustee (the “*Thirteenth Series Indenture*”) and Series Indenture, Number 14 between the Board and the Trustee (the “*Fourteenth Series Indenture*”) to (1) refund all or a portion of the 2005A Bonds, the 2007 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 2015 Bond; and

WHEREAS, the Board anticipates that a portion of the 2015 Bonds will be purchased and publicly offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Bank, National Association and J.P. Morgan Securities LLC (collectively, the “*Underwriters*”) pursuant to the terms of one or more bond purchase agreements (the “*Purchase Agreements*”) between the Board and the Underwriters and a portion of the 2015 Bonds will be privately placed and purchased by Bank of America, N.A. (the “*Bank*”); and

WHEREAS, there have been made available to the Board forms of the following documents related to the 2015 Bonds (the “*Board Documents*”), which the Board proposes to approve, ratify, execute and deliver, as applicable, to effectuate the financing:

1. the Thirteenth Series Indenture and the Fourteenth Series Indenture;
2. the Purchase Agreements;
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 2007 Bonds;
4. a Direct Placement Agreement between the Board and the Bank;
5. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the 2015 Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the 2015 Bonds; and
6. the 2015 Bonds in the form set forth in the Thirteenth Series Indenture and the Fourteenth Series Indenture; and

WHEREAS, the 2015 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 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

APPENDIX H

WHEREAS, the issuance of the 2015 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;

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

Section 1. **Authorization of 2015 Bonds.** That the Board hereby authorizes the issuance of the 2015 Bonds in an aggregate principal amount not to exceed \$593,000,000 under the General Indenture, the Thirteenth Series Indenture and the Fourteenth Series Indenture. The 2015 Bonds may be issued in two or more series of bonds, including any combination of fixed and variable rate bonds or tax-exempt and taxable bonds, and for the appropriate savings levels and other benefits to UNC Chapel Hill in refunding the 2005A Bonds, the 2007 Bonds and the Commercial Paper Bonds, as the Senior Vice President and Chief Operating Officer 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 2015 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 and Chief Operating Officer of the University, the Secretary 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 Statements 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 2015 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President and the Senior Vice President and Chief Operating Officer 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 Agreements 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

APPENDIX H

Underwriters in connection with the sale of the 2015 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 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 2015 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.

The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 30th day of October, 2015 and that the same was passed and adopted by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

PASSED, ADOPTED, AND APPROVED this 30th day of October, 2015.