

## APPENDIX M

### Sale of Special Obligation Bonds – North Carolina Central University

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.

North Carolina Central University requests that the Board issue special obligation bonds in an amount not to exceed \$65,000,000 for the purpose of (1) refinancing all or a portion of the 2009C General Revenue Bonds to achieve interest rate savings, and (2) paying the costs incurred in connection with the issuance of the 2016 Bonds. NCCU will also consider refinancing a 2014 loan with PNC Bank. The 2016 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 NCCU, determine to be in the best interest of the University.

Based on current market conditions, the University expects to achieve approximately \$5.6 million in gross cash savings and \$5.3 million in net present value savings, representing 10.2% of refunded par amount of bonds.

North Carolina Central University currently has an issuer credit rating of A3 by Moody's Investor Service with a Negative Outlook. The University will seek to have its credit rating affirmed in connection with the issuance of these bonds. Parker Poe is bond counsel and First Tryon 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 FOR NORTH CAROLINA CENTRAL UNIVERSITY**

**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 (“*NC Central*”), 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, The University of North Carolina School of the Arts, 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 determined to issue North Carolina Central University General Revenue Refunding Bonds, Series 2016 (with appropriate descriptions and series designations) (the “*2016 Bonds*”) to do some or all of the following as may be in the best interest of NC Central: (a) refund all or a portion of The University of North Carolina System Pool Revenue Bonds, Series 2009C issued for the benefit of NC Central (the “*2009C Bonds*”), (b) refinance all or a portion of a promissory note from NC Central to PNC Bank, National Association dated December 17, 2014 (the “*2014 Note*”) and (c) pay the costs incurred in connection with the issuance of the 2016 Bonds; and

**WHEREAS**, the Board has determined to issue the 2016 Bonds under the General Trust Indenture (the “*General Indenture*”) between the Board and a trustee to be determined (the “*Trustee*”), and Series Indenture, Number 1 (the “*Series Indenture*”) between the Board and the Trustee; and

**WHEREAS**, the 2016 Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of NC Central or the Board in each Fiscal Year but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by NC Central 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 otherwise restricted by law (collectively, the “*Available Funds*”); and

**WHEREAS**, the Board anticipates that an underwriter or underwriters selected by the Board and NC Central (the “*Underwriters*”) will purchase all of the 2016 Bonds pursuant to the

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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 (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 between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, providing for payment of the 2009C Bonds refunded with proceeds of the 2016 Bonds;
4. the Purchase Agreement;
5. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the 2016 Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the 2016 Bonds; and
6. the 2016 Bond in the form set forth in the Series Indenture; and

**WHEREAS**, the issuance of the 2016 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 financed or refinanced with proceeds of the 2016 Bonds, 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 2016 Bonds.*** That the Board hereby authorizes the issuance of the 2016 Bonds in an aggregate principal amount not to exceed \$65,000,000 under the General Indenture and the Series Indenture. The 2016 Bonds may be issued in one or more series of bonds, including any combination of or tax-exempt and taxable bonds as the Vice President-Finance/Chief Financial Officer of the University, in consultation with the appropriate officers at NC Central, determine to be in the best interest of the University and NC Central.

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 2016 Bonds.

Section 3. ***Authorization of Refunding.*** That the Board authorizes the Vice President-Finance/Chief Financial Officer of the University to include within the purpose for which the 2016 Bonds are issued the refunding in advance of their maturities of as many maturities, or portions thereof, of the 2009C Bonds and the 2014 Note as the Vice President-Finance/Chief

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Financial Officer of the University, in consultation with the appropriate officers at NC Central, determines to be in the best interest of NC Central.

Section 4. ***Selection of Underwriters and other Financing Team Members.*** That the Board authorizes the Vice President-Finance/Chief Financial Officer of the University, in consultation with the appropriate officers at NC Central, to select the Underwriters for the 2016 Bonds and any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 5. ***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 University, the Senior Vice President/Chief Operating Officer of the University, the Vice President-Finance/Chief Financial Officer of the University, the Secretary and the Assistant Secretary of the Board and the Secretary of the University (the "*Authorized Officers*"), individually and collectively, 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, individually and collectively, 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 6. ***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 2016 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President, the Senior Vice President/Chief Operating Officer and the Vice President-Finance/Chief Financial Officer of the University, individually and 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 to them seem necessary, desirable or appropriate, their 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 2016 Bonds with investors is hereby authorized, approved and confirmed.

Section 7. ***General Authority.*** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers, individually and collectively, 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 2016 Bonds.

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Section 8. *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 9. *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 4th day of March, 2016 and that the same was passed and adopted by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAIN:

*PASSED, ADOPTED, AND APPROVED* this 4th day of March, 2016.