

Amendment to Use Agreement – Winston-Salem State University

ISSUE OVERVIEW

Winston-Salem State University (“WSSU”) requests that the University of North Carolina Board of Governors authorize an amendment to a previously approved use agreement related to the financing of approximately 848 beds across two student housing facilities (the “Facilities”) that were financed through the Winston-Salem State University Housing Foundation, LLC (the “Foundation”), a WSSU-created nonprofit entity.

Approval by the Board to amend the use agreement will allow the Foundation to issue refunding limited obligation bonds (the “2024 Bonds”) in an aggregate principal amount of approximately \$16.5 million for the purpose of (1) refunding the callable maturities of the Foundation’s Refunding Limited Obligation Bonds, Series 2014 (the “2014 Bonds”), and (2) paying costs of issuance related to the 2024 Bonds.

To finance the Facilities, the Foundation executed and delivered (1) Certificates of Participation (Winston-Salem State University Student Housing Project), Series 2004 (the “2004 Certificates”), and (2) the 2014 Bonds which refinanced the 2004 Certificates. WSSU currently operates the Facilities as university housing under the terms of a lease between WSSU and the Foundation and a use agreement among the Board, WSSU, and the Foundation.

The Foundation executed and delivered (1) Certificates of Participation (Winston-Salem State University Student Housing Project), Series 2006 (the “2006 Certificates”), to construct, finance, and equip a 316-bed student housing facility and related parking facility (the “2006 Project”), and (2) Refunding Limited Obligation Bonds, (Winston-Salem State University Student Housing Project), Series 2016 (the “2016 Bonds”), to refinance the outstanding 2006 Certificates. WSSU currently operates the 2006 Project under the terms of the same lease between WSSU and the Foundation that governs WSSU’s operation of the Facilities. The 2014 Bonds and 2016 Bonds are parity obligations and share common security and cash flows for the purposes of calculating financial covenants.

Refinancing the 2014 Bonds will require an amendment to the use agreement to reflect WSSU’s lower payment obligations with respect to the 2024 Bonds and to memorialize the terms of the refinancing. The amendment to the use agreement will not affect WSSU’s payment obligations with respect to the 2016 Bonds.

The 2024 Bonds will be issued on a tax-exempt basis and sold via negotiated public sale by RBC Capital Markets, which was selected through a competitive RFP process. The 2024 Bonds are expected to be delivered for settlement in June 2024.

WSSU currently has an issuer credit rating of “A2” with a “Stable” outlook from Moody’s Ratings. S&P Global has assigned an issuer credit rating of “A-” with a “Positive” outlook for WSSU, and assigned a rating of “BBB+” with a “Positive” outlook to the 2014 Bonds. This transaction is expected to have no impact on any of these credit ratings.

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

RECOMENDATION

It is recommended that that the president of the University, or his designee, be authorized to amend the use agreement through the attached resolution.

**A RESOLUTION OF THE UNIVERSITY OF NORTH CAROLINA BOARD OF
GOVERNORS AUTHORIZING AGREEMENTS
RELATED TO THE REFINANCING OF RENTALS
RELATED TO THE PRIVATE HOUSING FACILITIES
ON THE CAMPUS OF WINSTON-SALEM STATE UNIVERSITY**

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, the University of North Carolina Board of Governors (the “Board”) is vested with general control and supervision of the constituent institutions of the University of North Carolina System (“the UNC System”); and

WHEREAS, Winston-Salem State University Housing Foundation, LLC (the “Foundation”) executed and delivered its Certificates of Participation (Winston-Salem State University Student Housing Project), Series 2004 (the “2004 Certificates”), the proceeds of which were used to refinance the debt associated with a 448-bed residential student housing facilities currently located on the campus of WSSU and related community center consisting of approximately 5,132 square feet (the “2001 Project”), and finance the construction of an approximately 400-bed residential student housing facility on the campus of WSSU and related parking facility constructed thereon (the “2004 Project”); and

WHEREAS, the Foundation executed and delivered its Certificates of Participation (Winston-Salem State University Student Housing Project), Series 2006 (the “2006 Certificates”), the proceeds of which were used to construct, acquire, and equip an approximately 316-bed residential student housing facility and related parking facility (the “2006 Project” and together with the 2001 Project and 2004 Project, the “Project”); and

WHEREAS, the Foundation executed and delivered its Refunding Limited Obligation Bonds (Winston-Salem State University Student Housing Project), Series 2014 (the “2014 Bonds”), the proceeds of which were used to refinance the 2004 Certificates; and

WHEREAS, the Foundation executed and delivered its Refunding Limited Obligation Bonds (Winston-Salem State University Student Housing Project), Series 2016 (the “2016 Bonds”), the proceeds of which were used to refinance the 2006 Certificates; and

WHEREAS, Winston-Salem State University (“WSSU”) has determined that it is in its best interests to prepay the 2014 Bonds in advance of their maturities; and

WHEREAS, pursuant to Supplemental Indenture, Number 4 dated as of June 1, 2024 (the “Fourth Supplement” and together with the Indenture of Trust dated as of September 1, 2004, as previously supplemented, the “Indenture”), between the Foundation and U.S. Bank Trust Company, National Association (as successor to Branch Banking & Trust Company and U.S. Bank National Association, the “Trustee”), the Foundation will execute and deliver Refunding Limited Obligation Bonds (Winston-Salem State University Student Housing Project), Series 2024 (the “2024 Bonds” and together with the 2016 Bonds, the “Bonds”), to prepay the 2014 Bonds in advance of their maturities; and

WHEREAS, the Foundation and WSSU entered into a Second Amended and Restated Use Agreement dated as of April 30, 2014 (the “2014 Use Agreement”), whereby WSSU assumed the obligations of the State under the Lease and is obligated to pay Base Rentals and Additional Rentals to the Foundation; and

WHEREAS, the Foundation will execute and deliver the 2024 Bonds evidencing proportionate undivided interests in the Base Rentals with respect to the Project paid by WSSU under the Lease in order to prepay the 2014 Bonds. The Base Rentals will be in an amount not less than the payments on the 2016 Bonds and the 2024 Bonds, and the Foundation has assigned its rights to receive such Base Rentals under the Lease to the Trustee for the benefit of the holders of the Bonds Outstanding under the Indenture; and

WHEREAS, in connection with execution and delivery of the 2024 Bonds, the Foundation and WSSU will execute and deliver the Second Amendment to the 2014 Use Agreement dated as of June 1, 2024 (the "Second Amendment" and collectively with the 2014 Use Agreement, as amended and supplemented, the "Use Agreement"), to reduce the Base Rentals under the Use Agreement; and

WHEREAS, the 2024 Bonds are not and will not be an obligation of the Board or WSSU, but will be secured solely from the Base Rentals paid by WSSU under the Lease; Base Rentals are to be paid from (1) net revenues of the Project and (2) to the extent such revenues are insufficient therefor, revenues received by WSSU from its dormitory system after payment of the existing general revenue obligations of WSSU specified in the Use Agreement; and

WHEREAS, there has been presented to the Board forms of the Second Amendment and the Fourth Supplement which the Board proposes to approve and authorize WSSU to execute and deliver.

NOW, THEREFORE, THE UNIVERSITY OF NORTH CAROLINA BOARD OF GOVERNORS DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Authorization of Second Amendment and Fourth Supplement. That the form and content of the Second Amendment and the Fourth Supplement be and the same hereby are in all respects authorized, approved, and confirmed, and the Chancellor and Vice Chancellor for Administration and Finance of WSSU and the President, Senior Vice President and Chief Operating Officer, and the Senior Vice President for Finance and Budget of the University be and they hereby are authorized, empowered, and directed to execute, approve, and deliver the Second Amendment and the Fourth Supplement, as applicable, 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 Second Amendment and the Fourth Supplement, the Chancellor and Vice Chancellor for Administration and Finance of WSSU and the President, Senior Vice President and Chief Operating Officer, and the Senior Vice President for Finance and Budget of the University are 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 Second Amendment and the Fourth Supplement as executed.

Section 2. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Chairman, President, Senior Vice President and Chief Operating Officer, and the Senior Vice President for Finance and Budget, the Secretary and the Assistant Secretary of the Board, and the Chancellor and Vice Chancellor for Administration and Finance of WSSU are 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 complete the transaction contemplated by the Second Amendment and the Fourth Supplement and the execution and delivery of the 2024 Bonds.

Section 3. *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 4. *Effective Date.* This Resolution is effective on its adoption.

PASSED, ADOPTED, AND APPROVED this 23rd day of May, 2024.

STATE OF NORTH CAROLINA

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SECRETARY'S CERTIFICATE

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SS:

OF AUTHENTICATION

COUNTY OF WAKE

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I, Meredith R. McCullen, Associate Vice President and Secretary of the University of North Carolina System, *DO HEREBY CERTIFY* that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the University of North Carolina Board of Governors (the "Board of Governors") at its meeting on May 23, 2024 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on May 23, 2024 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on May 23, 2024 at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of _____, 2024.

[SEAL]

Meredith R. McCullen, Associate Vice President and
Secretary of the University of North Carolina System