



CONSOLIDATING UNC HEALTH OBLIGATED GROUPS

Committee on Budget and Finance
May 14, 2025

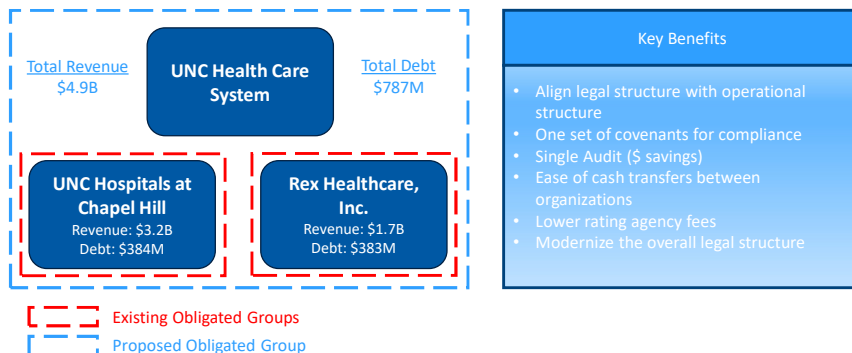
UNC Health is seeking Board of Governors approval to replace the Board of Governors with the UNC Health Care System as the issuer of UNC Hospitals bonds to enable the consolidation of UNC Health obligated groups

- UNC Health maintains a “public” obligated group under UNC Hospitals and a “private” obligated group under UNC Rex
 - The Board of Governors was the issuer for all UNC Hospitals debt, while UNC Health ensures that debt is serviced
- Prior to statutory changes in 2023 this was needed to provide flexibility for debt issuance and management, though it also results in additional complexity and cost
- With statutory flexibility recently granted, the benefits of the current structure are no longer required, making this an ideal time to streamline into a more contemporary structure
- UNC Health began exploring the opportunity to move to a single obligated group earlier this fiscal year, and has developed a plan that would facilitate the consolidation by the end of FY25 if approved
- This entails replacing the two current Master Trust Indentures (MTI) with a new single MTI, with the following benefits:
 - Simplifies and streamlines debt issuance under a single obligated group with anticipated reduction in issuance cost
 - More flexible covenants and a rating upgrade for UNC Rex debt
 - Reduces risk of bond covenant non-compliance across multiple entities that are part of UNC Health
 - Reduction in the number of audits and ratings maintained by UNC Health, reducing ongoing debt management cost
 - Reduces the amount of debt issued by/under the Board of Governors



Capital Structure | Obligated Group Merger

By creating one single Obligated Group, UNC Health Care System can recognize operational efficiencies, cash flow savings and align .



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UNC Health debt is currently split between the UNC Hospitals and UNC Rex obligated groups, with several issuances that can be refinanced or retired in 2025

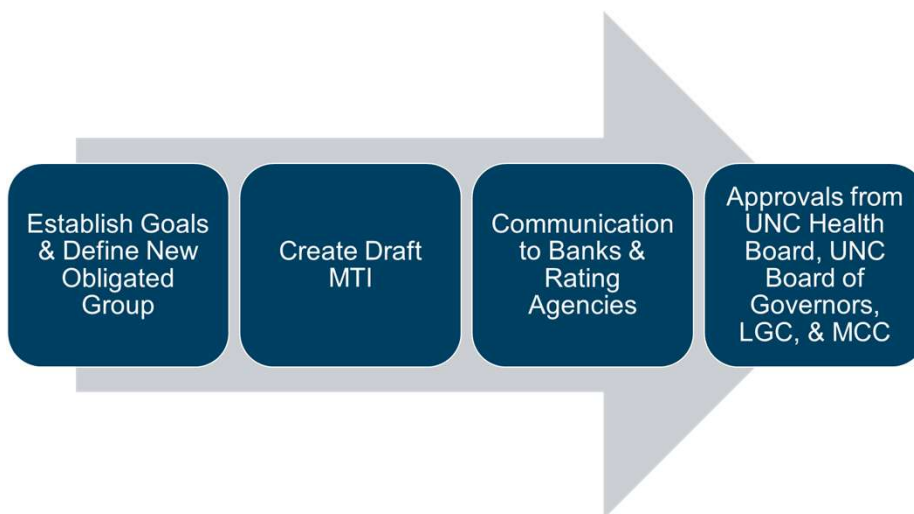
Debt Summary	Par	Product	Frequency	Cost ¹	Avg. Life	Final Maturity	Call Date	Credit Support	Credit Provider	Remkt. Agent	Expiration
UNCH 2001A	36,500,000	VRDB	Daily	3.50%	3.9	2/15/2031	Anytime	SBPA	TD	TD	9/10/2027
UNCH 2001B	36,500,000	VRDB	Daily	3.50%	3.9	2/15/2031	Anytime	SBPA	TD	TD	9/10/2027
UNCH 2003A	24,905,000	VRDB	Weekly	3.50%	2.2	2/1/2029	Anytime	SBPA	BofA	BofA	7/1/2027
UNCH 2003B	13,395,000	VRDB	Weekly	3.50%	2.2	2/1/2029	Anytime	SBPA	TD	TD	7/23/2027
UNCH 2016	99,945,000	Fixed	--	4.25%	19.1	2/1/2046	8/1/2026	--	--	--	--
UNCH 2019	149,995,000	Fixed	--	4.85%	20.1	2/2/2049	2/1/2029	--	--	--	--
UNCH 2021A	20,270,000	Fixed DP	--	1.74%	3.1	2/1/2031	Make-Whole	--	JPM	--	To Maturity
UNCH Total	\$384,510,000			4.13%	14.0						
Rex 2015A	50,000,000	Fixed	--	4.23%	13.7	7/1/2044	7/1/2025	--	--	--	--
Rex 2015B-1	50,000,000	Var. DP	--	4.35%	13.6	7/1/2044	Anytime	81.5% SOFR	TD	--	8/1/2031
Rex 2015B-2	49,400,000	Var. DP	--	4.35%	12.3	7/1/2044	Anytime	+ 0.78%	TD	--	8/1/2031
Rex 2020A	193,585,000	Fixed	--	3.90%	17.5	7/1/2049	1/1/2030	--	--	--	--
Rex 2020B	40,945,000	Fixed DP	--	1.64%	3.0	7/1/2030	Make-Whole	--	JPM	--	To Maturity
Rex Total	\$383,930,000			3.87%	14.3						
UNC Health Total	\$765,440,000			4.00%	14.2						
Swap Hedge	Notional	Type		Final Maturity	Pay	Receive		Counterparty		MTM (2/24/25)	
UNCH 2003AB	31,195,000	Fixed Payer		2029	3.48%	67% SOFR + 0.08%		BofA		(\$546,000)	

(1) The Series 2029 bonds maturing 2045 and 2049 (\$123.6 million) have a make whole call. The Series 2029 bonds maturing 2032 to 2040 (\$25.4 million) are callable at par anytime after February 1, 2029. Note: As of 2/24/25, (1) VRDB cost assumes 3.50%. Excludes line of credit and smaller Note Payables. TD 2015B Fee of 81.5% SOFR + 0.78% is derived from 81.5% * (SOFR + 0.114%) + 0.69%.

UNC Health's debt structure is well-diversified through different products that will require transition via several different pathways to consolidate to a new single obligated group under one master trust indenture

Product	Series	Most-likely Pathway	Description	Graphical Depiction
Public Fixed Rate Bonds	2015A (Rex)	Legal or Financing	Refund Callable 2015A Bonds or MTI Substitution	
Bank Held Bonds	2015B-1 (Rex) 2015B-2 (Rex) 2020B (Rex) 2021A (UNCH)	Legal or Financing	Refund or Bank Consent	
Variable Rate Demand Bonds	2001A (UNCH) 2001B (UNCH) 2003A (UNCH) 2003B (UNCH)	Legal	Consent via Mandatory Tender	
Public Fixed Rate Bonds	2020A (Rex) 2016 & 2019	Legal	MTI Substitution as Bonds are not yet callable	
Swap	Fixed Payor Swap (UNCH)	Legal or Financing	Seek counterparty consent or terminate swap	

While management has been preparing to be able to move to a single obligated group for several months, key engagement points and approvals to proceed are anticipated over the next two months





UNC Health is seeking Board of Governors approval to replace the Board of Governors with the UNC Health Care System as the issuer of existing UNC Hospitals debt to facilitate its transition to a single obligated group

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QUESTIONS?

RESOLUTION OF THE BOARD OF GOVERNORS

RESOLUTION APPROVING A REPLACEMENT INDENTURE TO SECURE CERTAIN OUTSTANDING REVENUE BONDS ISSUED BY THE BOARD OF GOVERNORS ON BEHALF OF THE UNIVERSITY OF NORTH CAROLINA UNIVERSITY OF NORTH CAROLINA HOSPITALS AT CHAPEL HILL AND AUTHORIZING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, pursuant to Article 37A of Chapter 116 of the General Statutes of North Carolina, as amended (the "System Act"), there has been created as an affiliated enterprise of the University, the University of North Carolina Health Care System (the "UNC Health Care System"), and a Board of Directors of the UNC Health Care System, as a successor board to the board of directors of UNC Hospitals (as defined below), which is charged with the responsibility for making rules, regulations and policies governing the management and operation of the UNC Health Care System, including UNC Hospitals and its other component units and system affiliates;

WHEREAS, pursuant to Sections 116-187 to 116-198, inclusive, of the General Statutes of North Carolina, as amended, the University of North Carolina Board of Governors (the "Board of Governors") has heretofore issued for and on behalf of the University of North Carolina Hospitals at Chapel Hill ("UNC Hospitals") various series of revenues bonds that are currently outstanding as identified in Exhibit A hereto (the "Existing UNC Hospitals Bonds");

WHEREAS, the Existing UNC Hospitals Bonds have been issued and are secured under the provisions of a General Trust Indenture, dated as of January 1, 1992, between the Board of Governors and First Union National Bank of North Carolina (succeeded by U.S. Bank Trust Company, National Association), as trustee (the "UNC Hospitals Bond Trustee"), as accepted and agreed to by UNC Hospitals, as supplemented and amended by a First Supplemental Indenture, dated as of February 15, 1996, a Second Supplemental Indenture, dated as of May 1, 1999 and a Third Supplemental Indenture, dated as of January 1, 2001 (collectively, the "UNC Hospitals General Indenture"), each between the Board of Governors and the UNC Hospitals Bond Trustee, and each as accepted and agreed to by UNC Hospitals;

WHEREAS, pursuant to Section 5.15 of the UNC Hospitals General Indenture, the Existing UNC Hospitals Bonds can be substituted for replacement bonds issued under and secured by an existing or new master trust indenture, trust indenture, trust agreement, bond order, bond resolution or any similar instrument (defined therein as a "Replacement Indenture"), subject to the terms and conditions set forth therein;

WHEREAS, the UNC Health Care System and UNC Hospitals desire to substitute the prior UNC Hospitals Indenture with a master trust agreement (the "Master Trust Agreement") between the UNC Health Care System and U.S. Bank Trust Company, National Association, as trustee (which Master Trust Agreement will constitute a "Replacement Indenture" under the provisions UNC Hospitals General Indenture) and issue replacement bonds in substitution for the Existing UNC Hospitals Bonds pursuant to the provisions of the System Act, Article 3 of Chapter 1116D, as amended, of the General Statutes of North Carolina and the Master Trust

Agreement and the replacement bonds will constitute special obligations of the UNC Health Care System payable solely from and secured solely by certain revenues of UNC Hospitals and Rex Hospital, Inc., as members of the obligated group;

WHEREAS, the Board of Governors has determined to approve a Master Trust Agreement as a Replacement Indenture under Section 5.15 of the UNC Hospitals General Indenture;

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

Section 1. The Board of Governors hereby approves the Master Trust Agreement as a Replacement Indenture under the provisions of Section 5.15 of the UNC Hospitals General Indenture and the related issuance of the replacement bonds in substitution for the Existing UNC Hospital Bonds. The Chair and Vice Chair of the Board of Governors and the Senior Vice President for Finance and Chief Financial Officer of the University (together, the “Authorized Officers” and each an “Authorized Officer”) are each hereby authorized and directed to execute and deliver the Master Trust Agreement and the replacement bonds, the execution and delivery by an Authorized Officer of such documents shall conclusively evidence such approval by the Board of Governors.

Section 2. The members, officers, agents and employees of the Board of Governors are hereby authorized to execute and deliver for and on behalf of the Board or Governors any and all additional certificates, documents, opinions or other papers, and to perform all other acts as may be required to effectuate the transactions contemplated hereby or as they may deem necessary or appropriate in order to implement and carry out the intent and purpose of this resolution.

Section 3. This resolution shall become effective on the date of its adoption.

* * * * *

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 a resolution adopted by the Board of Governors of the University of North Carolina (the "Board of Governors") at its meeting duly called and held on May 15, 2025 and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors held on May 15, 2025 was sent to each member of the Board of Governors, and (3) a quorum was present at the meeting on May 15, 2025 at which time the foregoing resolution was adopted.

WITNESS, my hand this ____ day of _____, 2025.

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

Existing UNC Hospitals Bonds

- **Series 2001A/B Bonds (Daily VRDOs)**
 - Issued for acquiring a controlling interest in Rex Healthcare, Inc. and various capital improvements at UNC Hospitals.
 - Principal outstanding: Series 2001A - \$33,100,000; Series 2001B - \$33,100,000.
- **Series 2003A/B Bonds (Weekly VRDOs)**
 - Issued for advance refunding Series 1996 Bonds.
 - Principal outstanding: Series 2003A - \$20,285,000; Series 2003B - \$10,910,000.
- **Series 2016 Bonds (Fixed Rate - Publicly Offered)**
 - Issued for financing initial costs of new surgical pavilion, renovation of vacated space, and relocation/improvement of emergency supply system and chilled water system.
 - Principal outstanding: \$99,945,000
- **Series 2019 Bonds (Fixed Rate - Publicly Offered)**
 - Issued for financing remaining costs of new surgical pavilion, renovation of vacated space, and relocation/improvement of emergency supply system and chilled water system.
 - Principal outstanding: \$149,995,000
- **Series 2021A Bonds (Fixed Rate - Direct Placement with JPMorgan Chase Bank, N.A.)**
 - Issued for refunding the outstanding Series 2010B Bonds.
 - Principal outstanding: \$17,510,000