

## APPENDIX G

### Refinancing of Housing Foundation Indebtedness – UNCW

UNCW requests that the Board authorize amendments to previously approved use agreements. UNCW Corp, a nonprofit entity created for the purpose of constructing student housing on the campus, financed the construction through the issuance of debt. Previously approved by the Board of Governors and the Council of State, UNCW entered into a lease agreement and a use agreement that established a debt service schedule, and the amount of rent to be paid by UNCW to UNCW Corp for the student housing facilities. Due to the current favorable interest rate environment, the outstanding debt can be refinanced and the savings can be passed on to UNCW. To accomplish this, the existing use agreement must be amended to adjust the debt service schedule to reflect the savings from the refinancing, make certain conforming changes to reduce or eliminate covenant requirements on UNCW, and also lower the rent to be paid by UNCW to UNCW Corp.

UNCW Corp plans to refinance approximately \$64.6 million in outstanding Certificates of Participation (COPs) for student housing projects financed in 2005 and 2006. Specifically, limited obligation bonds will be issued for the purpose of (1) refunding \$27,360,000 of Student Housing Project, Series 2005 Certificates of Participation, (2) refunding \$37,250,000 of Student Housing Project, Series 2006 Certificates of Participation, and (3) paying transaction costs incurred in connection with each refunding (2015 Bonds).

The combined refunding of the 2005 and 2006 COPs will be accomplished through a single issue of new Limited Obligation Bonds (2015 LOBs). Limited obligation bonds accomplish the same objective as certificates of participation (the same lease procurement structure

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constitutes the security for both issues), while providing UNCW with a lower interest rate in comparison to COPs in today's market. LOBs achieve slightly better pricing in today's markets.

The issuance of LOBs to refund all or a portion of prior certificates of participation will not exceed a par amount of \$64,610,000. As always, due to interest rate risk at the time of the sale (scheduled on or about May 12), it is possible the bonds may not be refunded if market conditions at the time of pricing do not produce sufficient savings.

Merrill Lynch, Pierce, Fenner & Smith, Inc. will serve as senior underwriter; Raymond James & Associates, Inc. will serve as co-underwriter for the transaction. RBC Capital Markets, LLC is the financial advisor. Parker Poe Adams & Bernstein LLP serves as bond counsel; Moore & Van Allen PLLC is underwriter's counsel.

The University of North Carolina at Wilmington currently has an issuer credit rating of A1 by Moody's Investor Service with a positive outlook. Separately, Standard & Poor's has rated UNCW's COPs as A- (SPUR) with a stable outlook, and Moody's has assigned an A2 rating on UNCW's COPs.

It is recommended that UNCW be authorized to enter into the revised agreements as set out in the attached resolution.