

Sale of Special Obligation Bonds – North Carolina Agricultural and Technical State University

ISSUE OVERVIEW

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 Agricultural and Technical State University requests that the Board issue special obligation bonds in an amount not to exceed \$2,700,000 for the purpose of (1) refinancing all or a portion of the 2006B Pool Bonds issued on behalf of the University to achieve interest rate savings and (2) paying the costs incurred in connection with the issuance of the 2017 Bond. The 2017 Bond will be issued in a single series and privately placed with a lender selected through a competitive RFP process.

The Board's approval will set a minimum net present value savings threshold of 3.0%. If no lender proposes terms that will achieve that minimum level of savings, North Carolina Agricultural and Technical State University will not move forward with the transaction and will not incur any transaction costs.

North Carolina Agricultural and Technical State University currently has an issuer credit rating of "A1" with Stable Outlook by Moody's Investor Service and an issuer credit rating of "A+" with Stable Outlook by Fitch Ratings. The refinancing is expected to have no impact on the University's credit ratings.

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 A SPECIAL OBLIGATION BOND PROJECT FOR NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE 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 (“NCA&T”), North Carolina Central University, 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 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 Agricultural and Technical State University General Revenue Refunding Bond, Series 2017 (with appropriate description and series designation, if necessary) (the “2017 Bond”) in an aggregate principal amount not to exceed \$2,700,000 to (1) refund the Board’s System Pool Revenue Bonds (2006B Pool General Trust Indenture), Series 2006B maturing on October 1, 2017 through October 1, 2021 and allocable to NCA&T (the “Refunded Bonds”), the proceeds of which were used to refinance certain of then-existing debt of NCA&T which financed improvements and renovations to a cafeteria, financed construction the NCA&T Stadium and financed the construction of a parking facility, all on the NCA&T campus and (2) pay the costs incurred in connection with the issuance of the 2017 Bond; and

WHEREAS, the Board has determined to issue the 2017 Bond under the General Trust Indenture dated as of December 1, 2012 (the “General Indenture”) between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and Series Indenture, Number 4 to be dated as of January 15, 2017 (the “Fourth Series Indenture”) between the Board and the Trustee; and

WHEREAS, the 2017 Bond and other obligations issued under the General Indenture are payable solely from any funds of NCA&T or the Board in each Fiscal Year remaining after satisfying obligations of NCA&T or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to NCA&T as of the date of the General Indenture, but excluding, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by NCA&T 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 restricted by law (the “Available Funds”);

WHEREAS, the 2017 Bond will be purchased by a financial institution to be determined by the Senior Vice President for Finance and Budget of the University; and

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WHEREAS, there have been made available to the Board forms of the Fourth Series Indenture and the 2017 Bond as set forth in the Fourth Series Indenture which the Board proposes to approve, ratify, execute and deliver, as applicable, to effectuate the financing; and

WHEREAS, the issuance of the 2017 Bond 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 projects refinanced with the proceeds of the 2017 Bond 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 2017 Bond. That the Board hereby authorizes the issuance of the 2017 Bond in an aggregate principal amount not to exceed \$2,700,000 under the General Indenture and the Fourth Series Indenture if First Tryon Advisors, the financial advisor to NCA&T, determines to the satisfaction of the Senior Vice President for Finance and Budget and the Vice Chancellor for Business and Finance at NCA&T that the net present value savings to NCA&T resulting from the issuance of the 2017 Bond are not less than 3.0%.

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 2017 Bond.

Section 3. Authorization of Fourth Series Indenture. That the form and content of the Fourth Series Indenture be and the same hereby are in all respects authorized, approved and confirmed, and the Chairman of the Board, the President, the Senior Vice President for Finance and Budget, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of the University (the "Authorized Officers") be and they hereby are each authorized, empowered and directed to execute and deliver the Fourth Series Indenture 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, including incorporation of the terms provided by the financial institution purchasing the 2017 Bond and agreed to by the Senior Vice President for Finance and Budget of the University in consultation with the Vice Chancellor for Business and Finance of NCA&T, the Authorized Officer's execution thereof to constitute conclusive evidence of the Board's approval of any and all such changes, modifications, additions or deletions therein.

Section 4. 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 2017 Bond.

Section 5. 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 6. Effective Date. This Resolution is effective immediately on the date of its adoption.

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The foregoing Resolution was duly adopted by the Board at a regular meeting of the Board held on the 13th day of January, 2017.