

Sale of Special Obligation Bonds – East Carolina University

ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds and bond anticipation notes for capital improvement 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.

East Carolina University requests that the Board of Governors issue (1) a special obligation bond anticipation note (the “2017 Note”) for the purpose of providing funds for the construction of Dowdy-Ficklen Stadium Southside Renovation Project and to pay related costs of issuance; and (2) special obligation bonds in one or more series (the “2017 Refunding Bonds,” and together with the 2017 Note, the “2017 Bonds”) for the purpose of refinancing outstanding indebtedness to achieve interest rate savings and to pay related costs of issuance. The General Assembly authorized the \$55,000,000 Dowdy-Ficklen Stadium Southside Renovation Project under SL 2017-620.

The resolution authorizes the issuance of the 2017 Bonds in an aggregate principal amount not to exceed \$76,500,000 (collectively, the “2017 Bonds”).

Due to the favorable interest rate environment, up to \$19,675,000 of outstanding special obligation bonds issued on behalf of ECU may be refinanced for debt service savings. ECU estimates that it can achieve approximately (1) \$794,000 in net present value savings by refunding the 2010A Bonds, representing approximately 6.8 percent of the par amount refunded, and (2) \$412,000 in net present value savings by refunding the 2012 Bonds, representing approximately 5.1 percent of the par amount refunded.

The 2017 Bonds will be privately placed with one or more lenders selected through a competitive RFP process. ECU anticipates structuring the 2017 Note as a drawdown loan facility, which will save ECU interest cost during the construction period and provide ECU with increased prepayment flexibility. ECU will refinance the 2017 Note on a permanent basis at the end of the construction period (or earlier, if market conditions warrant).

ECU is seeking authority to issue the 2017 Refunding Bonds at the same time it issues the 2017 Note to streamline costs of issuance and provide ECU with maximum flexibility to take advantage of prevailing market conditions. ECU will issue the 2017 Refunding Bonds only if a lender proposes terms that are favorable to ECU.

ECU has an issuer credit rating of “Aa2” with a Stable Outlook by Moody’s Investor Service and an issuer credit rating of “AA-” with a Stable Outlook by Standard & Poor’s. This transaction is expected to have no impact on ECU’s credit ratings.

Parker Poe Adams & Bernstein LLP 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.

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS AND BOND ANTICIPATION NOTES TO FINANCE AND REFINANCE SPECIAL OBLIGATION BOND PROJECTS FOR EAST CAROLINA 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 (“ECU”), Elizabeth City State University, Fayetteville State University, North Carolina Agricultural and Technical State University, 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 East Carolina University General Revenue Bonds (with appropriate descriptions and series designations) in one or more series of bonds or bond anticipation notes (the “Bonds”) in an aggregate principal amount not to exceed \$76,500,000 to pay (a) the costs of renovating the South Side of Dowdy-Ficklen Stadium (the “Project”); (b) the costs of refunding in advance of their maturities The University of North Carolina System Pool Revenue Bonds (East Carolina), Series 2010A maturing on and after October 1, 2020 and the East Carolina University General Revenue Refunding Bond, Series 2012 (collectively, the “Refunded Bonds”) and (3) the costs incurred in connection with the issuance of the Bonds; and

WHEREAS, the Board has determined to issue the Bonds to finance the Project and pay related costs of issuance under the General Trust Indenture dated as of June 1, 2003 (the “General Indenture”) between the Board and Wachovia Bank, National Association, the successor to which is U.S. Bank National Association, as trustee (the “Trustee”), and Series Indenture, Number 14 dated as of October 1, 2017 (the “Fourteenth Series Indenture”) between the Board and the Trustee; and

WHEREAS, if the Board can achieve debt service savings, the Board has determined to issue the Bonds to refund all or a portion of the Refunded Bonds and pay related costs of issuance under the General Indenture and Series Indenture, Number 15 dated as of October 1, 2017 (the “Fifteenth Series Indenture”) between the Board and the Trustee; and

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of ECU or the Board in each Fiscal Year remaining after satisfying

APPENDIX C

obligations of ECU or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt as of the date of the General Indenture of the Board with respect to ECU, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by ECU 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 Board proposes to sell the Bonds through a request for proposals process to one or more financial institutions whose bid or bids result in the most favorable terms for ECU; 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 Fourteenth Series Indenture;
2. the Fifteenth Series Indenture; and
3. an Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, related to the advance refunding of The University of North Carolina System Pool Revenue Bonds (East Carolina), Series 2010A;
4. the Bonds in the form set forth in the Fourteenth Series Indenture and the Fifteenth Series Indenture; and

WHEREAS, the issuance of the 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 Project 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 Bonds.** That the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$76,500,000 under the General Indenture, the Fourteenth Series Indenture and the Fifteenth Series Indenture. The Senior Vice President for Finance and Budget of the University, in consultation with the Vice Chancellor for Finance and Administration of ECU, is hereby authorized and directed to select and negotiate with one or more financial institutions through a request for proposals process to purchase the Bonds as described in this Resolution, including for the purpose of refunding all or a portion of the Refunded Bonds to the extent debt service savings can be achieved that he deems to be in the best interest of ECU.

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 Bonds.

APPENDIX C

Section 3. **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 and the Senior Vice President for Finance and Budget of the University, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of the University, individually and collectively (the "*Authorized Officers*"), 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 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 4. **General Authority.** From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers and Vice Chancellor for Finance and Administration of ECU 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 Bonds.

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.

PASSED, ADOPTED, AND APPROVED this 8th day of September, 2017.