

Sale of Special Obligation Bonds – UNC School of the Arts

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.

University of North Carolina School of the Arts (UNCSA) requests that the Board issue special obligation bonds (the “2020 Bonds”) in an amount not to exceed \$46,000,000 to finance the construction, equipping, and furnishing of a new residence hall on UNCSA’s campus, and not to exceed an additional 5% of such principal amount to pay the costs incurred in connection with the issuance of the 2020 Bonds. The 2020 Bonds will be sold on a negotiated basis to Wells Fargo Bank, N.A., which was selected through a competitive RFP process. The General Assembly authorized the new residence hall project under S.L. 2019-124 (H.B. 402).

In connection with the 2020 Bonds, UNCSA expects a credit rating in the “A” category from at least one of the major credit rating agencies. As UNCSA has no outstanding special obligation bonds, UNCSA does not have any existing credit ratings. Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon Advisors is the financial advisor.

It is recommended that the president of the University, or his designee, be authorized to sell the special obligation bonds through the attached resolution.

APPENDIX E

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS FOR UNIVERSITY OF NORTH CAROLINA SCHOOL OF THE ARTS

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

WHEREAS, the Board is authorized by Chapter 116D of the General Statutes of North Carolina (the “Act”) to issue special obligation bonds to pay all or any part of the cost of a special obligation bond project, and to fund or refund any bonds previously issued by the Board to finance facilities designated as a special obligation bond project;

WHEREAS, University of North Carolina School of the Arts (“UNCSA”) has requested the Board to issue University of North Carolina School of the Arts General Revenue Bonds (with appropriate descriptions and series designations) in one or more series in an aggregate principal amount not to exceed \$46,000,000, plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs of the construction, equipping and furnishing of a residence hall on UNCSA’s campus as authorized by S.L. 2019-124 of the 2019 Session Laws of the North Carolina General Assembly (the “Special Obligation Bond Project”), plus any increase in the specific Special Obligation Bond Project costs authorized by the Director of the Budget pursuant to Section 3 of Chapter 124 of the 2019 Sessions Laws of the General Assembly of North Carolina (the “Bonds”);

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of February 1, 2020 (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 1 (the “First Series Indenture”) between the Board and the Trustee;

WHEREAS, the Bonds and other obligations issued under the General Indenture are payable solely from any legally available funds of UNCSA, or of the Board held for UNCSA, in each fiscal year remaining after satisfying existing obligations of UNCSA or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to UNCSA, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNCSA students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof, (4) revenues generated by Special Facilities and (5) funds restricted by law (“Available Funds”);

WHEREAS, Wells Fargo Bank, National Association (the “Underwriter”) will agree to purchase all of the Bonds pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Underwriter;

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 General Indenture;
2. the First Series Indenture;

3. the Purchase Agreement;
4. the Preliminary Official Statement (the “*Preliminary Official Statement*”) relating to the Bonds, which after the inclusion of certain pricing and other information will become the final Official Statement (the “*Official Statement*”) relating to the Bonds; and
5. the Bonds in the form provided in the First 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 as follows:

Section 1. Authorization of Bonds. The Board authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$46,000,000 under the General Indenture and the First Series Indenture to finance the Special Obligation Project, plus five percent (5%) of such amount to pay issuance expenses, fund reserve funds, pay capitalized interest, and pay other related additional costs of the Special Obligation Bond Project, plus any increase in the specific Special Obligation Bond Project costs authorized by the Director of the Budget pursuant to Section 3 of Chapter 124 of the 2019 Sessions Laws of the General Assembly of North Carolina. The Bonds may be issued in one or more series of bonds, including any combination of tax-exempt bonds and taxable bonds as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “*SVP-Finance*”), in consultation with the appropriate officers at UNCSCA, determine to be in the best interest of the UNC System and UNCSCA.

Section 2. Sufficiency of Available Funds. The Board finds that sufficient Available Funds are available to pay the principal of and interest on the Bonds.

Section 3. Selection of Underwriter and other Financing Team Members. The Board ratifies the selection of the Underwriter for the Bonds and authorizes the SVP-Finance, in consultation with the appropriate officers at UNCSCA, to select any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. Authorization of Board Documents. The form and content of the Board Documents are in all respects authorized, approved and confirmed. The Chairman of the Board, the President of The UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Senior Associate Vice President and Secretary of The UNC System (the “*Authorized Officers*”) 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 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. From and after the execution and delivery of the Board Documents, the Authorized Officers are each 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 5. *Authorization of Purchase Agreement.* The Chair of the Board, the President of the UNC System and the SVP-Finance are each authorized, empowered and directed to execute and deliver the Purchase Agreement for and on behalf of the Board, including necessary counterparts, in a form and substance consistent with the terms of this Resolution. From and after the execution and delivery of the Purchase Agreement 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 Purchase Agreement as executed.

Section 6. *Authorization of Preliminary Official Statement and Official Statement.* The form, terms and content of the Preliminary Official Statement are in all respects authorized, approved and confirmed. The use of the Preliminary Official Statement by the Underwriter in connection with the sale of the Bonds is in all respects authorized, approved, ratified and confirmed. The President of The UNC System and the SVP-Finance are each authorized, empowered and directed to deliver the Official Statement for and on behalf of the Board in substantially the form and content of the Preliminary Official Statement presented to the Board, but with such changes, modifications, additions or deletions therein as to them seem necessary, desirable or appropriate, their delivery of the Official Statement to constitute conclusive evidence of the Board's approval of any such changes, modifications, additions or deletions therein. The use of the Official Statement by the Underwriter in connection with the sale of the Bonds is in all respects authorized, approved and confirmed.

Section 7. *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 Bonds. The Chancellor and the Vice Chancellor of Administration and Finance for UNCSCA are authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the Bonds on behalf of UNCSCA. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions will apply to the respective designees of the Authorized Officers, including any person serving in an interim capacity, and will be read to permit such persons to take the authorized actions either individually or collectively.

Section 8. *Conflicting Provisions.* All resolutions or parts thereof of the Board in conflict with the provisions herein contained are, to the extent of such conflict, superseded and repealed.

Section 9. *Effective Date.* This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 17th day of January, 2020.