

Sale of Special Obligation Bonds – Appalachian State University

ISSUE OVERVIEW

The Board of Governors is authorized to issue special obligation bonds 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.

Appalachian State University requests that the Board issue a special obligation bond in a principal amount not to exceed \$2,350,000 (the “Bond”) for the purpose of refinancing up to \$2,160,000 of outstanding special obligation bonds issued on behalf of Appalachian in 2010 (the “2010B-1 Bonds”). Appalachian estimates that it can achieve approximately \$120,000 in net present value savings by refunding the 2010B-1 Bonds, representing roughly 5.7% of the par amount refunded. Appalachian is pursuing this refinancing simultaneously with its turf field financing to streamline costs and improve savings.

The Bond will be privately placed with DNT Asset Trust, an affiliate of JPMorgan Chase & Co., which was selected through a competitive RFP process.

Appalachian currently has an issuer credit rating of “Aa3” with a negative outlook by Moody’s Investor Service. This transaction is expected to have no impact on Appalachian’s credit rating. McGuireWoods LLP is bond counsel, and First Tryon is the financial advisor to Appalachian.

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

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO REFINANCE SPECIAL OBLIGATION BOND PROJECTS FOR APPALACHIAN STATE UNIVERSITY

WHEREAS, by Chapter 116 of the General Statutes of North Carolina, as amended, 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 institutions of the UNC System, including Appalachian State University (“Appalachian”); and

WHEREAS, the Board is authorized by Article 3 of Chapter 116D of the General Statutes of North Carolina, as amended (the “Act”) to issue, subject to the approval of the Director of the Budget, at one time or from time to time, special obligation bonds of the Board for the purpose of paying all or any part of the cost of acquiring, constructing, or providing a special obligation project and refunding bonds for the purpose of refunding any bonds issued by the Board under the Act or under any Article of Chapter 116 of the General Statutes, including the payment of any redemption premium on the bonds refunded and any interest accrued or to accrue to the date of redemption of the bonds refunded; and

WHEREAS, the Board has determined that it may achieve debt service savings by refunding all or a portion of its the University of North Carolina System Pool Revenue Bonds (Appalachian State/UNC Charlotte Pool Revenue Bonds), Series 2010B-1 (the “Refunded Bonds”); and

WHEREAS, in order to refund the Refunded Bonds, the Board has determined to issue the Appalachian State University General Revenue Refunding Bond, Series 2020, in an aggregate principal amount not to exceed \$2,350,000 (the “2020 Bond”), to (a) refund all or a portion of the Refunded Bonds and (b) pay the costs of issuing the 2020 Bond; and

WHEREAS, if the Board can achieve debt service savings, the Board has determined to issue the 2020 Bond to refund all or a portion of the Refunded Bonds and pay related costs of issuance under the General Trust Indenture, dated as of November 1, 2003 (the “General Indenture”), between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), and Series Indenture, Number 17, to be dated as of February 1, 2020 (the “Seventeenth Series Indenture” and, together with the General Indenture, the “Indentures”), between the Board and the Trustee; and

WHEREAS, through a request for proposals process, DNT Asset Trust (the “Purchaser”) has been selected to purchase the 2020 Bond, and is expected to purchase the 2020 Bond pursuant to the terms of a bond purchase agreement (the “Purchase Agreement”) between the Board and the Purchaser]; and

WHEREAS, the projects to be refinanced with the proceeds of the 2020 Bond are collectively referred to herein as the “Special Obligation Bond Projects”; and

WHEREAS, the 2020 Bond and other obligations issued under the General Indenture are payable solely from “Available Funds” as defined in the General Indenture; and

WHEREAS, there have been made available to the Board forms of the following documents (hereinafter collectively referred to as the “Board Documents”), which the Board proposes to approve, execute and deliver, as applicable, to effectuate the financing:

1. the Seventeenth Series Indenture;

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2. the form of the 2020 Bond, as set forth in the Seventeenth Series Indenture;
3. an Escrow Agreement dated as of February 1, 2020, between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent related to the refunding of the Refunded Bonds; and
4. [the Purchase Agreement; and]

WHEREAS, the issuance of the 2020 Bond does not directly or indirectly or contingently obligate the State of North Carolina 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 refinancing the Special Obligation Bond Projects 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. Sufficiency of Available Funds. The Board hereby finds that sufficient Available Funds are available to pay the principal of and interest on the 2020 Bond.

Section 2. Authorization of Bonds. The Board hereby authorizes and approves the issuance of the 2020 Bond in the maximum amount of \$2,350,000, subject to the terms and conditions of this Resolution.

Section 3. Authorization of Board Documents. The form and content of the Board Documents are hereby in all respects authorized, approved and confirmed, and the Chairman of the Board, the President of the UNC System, the Senior Vice President for Finance and Administration and CFO of the UNC System, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System (collectively, the "Authorized Officers") are hereby authorized, empowered and directed, individually and collectively, 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 any Authorized Officer may deem necessary, desirable or appropriate, including such changes as may be necessary to reflect the terms of the 2020 Bond (including, but not limited to, the setting of interest rates, whether fixed rates to one or more terms or to maturity, or variable rates, and the amortization of principal). The execution of the Board Documents shall 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 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 General Indenture and the Board Documents as executed.

Section 4. General Authority. From and after the execution and delivery of the documents hereinabove authorized, the Authorized Officers are 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 such 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 for the issuance and sale of the 2020 Bond and the refunding of the Refunded Bonds. The 2020 Bond may be sold to the Purchaser in a private placement, and the foregoing officers are hereby authorized, empowered and directed to execute and deliver such documents, instruments and certificates as may be required to effect the sale of the 2020 Bond to the Purchaser. The Authorized Officers are further authorized to take any and all further

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actions to execute and deliver any and all other documents as may be necessary to the issuance and on-going administration of the 2020 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.