

Sale of Special Obligation Bonds – University of North Carolina Wilmington

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.

The University of North Carolina Wilmington (“UNC Wilmington”) requests that the Board issue a special obligation bond in an aggregate principal amount not to exceed \$16,000,000 (the “2020B Bond”) for the purpose of (1) refunding the outstanding maturities of the Board’s General Revenue Bond, Series 2011 (the “2011 Bond”) issued on UNC Wilmington’s behalf, (2) refunding the outstanding maturities of the Board’s General Revenue Refunding Bond, Series 2012 issued on UNC Wilmington’s behalf (the “2012 Bond,” and together with the 2011 Bond, the “Existing Bonds”), and (3) paying costs of issuance related to the 2020 Bond.

UNC Wilmington estimates that it can achieve approximately \$800,000 in net present value savings by refunding the Existing Bonds, representing more than 5.0% of the par amount refunded. The 2011 Bond matures on March 1, 2026. The 2012 Bond matures on January 1, 2028. Both of the Existing Bonds are currently callable.

The 2020B Bond will be privately placed with a bank to be selected through a competitive RFP process.

UNC Wilmington currently has an issuer credit rating of “Aa3” with a Stable Outlook by Moody’s Investor Service. This transaction is expected to have no impact on UNC Wilmington’s credit rating.

Parker Poe Adams & Bernstein LLP is bond counsel, and First Tryon is the financial advisor to UNC Wilmington.

It is recommended that the president of the University, or his 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 SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS
FOR UNIVERSITY OF NORTH CAROLINA WILMINGTON**

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 institutions of the UNC System; 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 of the State of North Carolina (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 University of North Carolina at Wilmington (“UNC Wilmington”) and its financial advisor have advised the Board that it may be able to achieve debt service savings related to The University of North Carolina at Wilmington General Revenue Bond, Series 2011 (the “2011 Bond”) and The University of North Carolina at Wilmington General Revenue Refunding Bond, Series 2012 (the “2012 Bond”) previously issued by the Board on behalf of UNC Wilmington to finance and refinance projects at UNC Wilmington;

WHEREAS; the Board has determined to issue an University of North Carolina Wilmington General Revenue Bond (with appropriate descriptions and series designations) (the “Bond”) in an aggregate principal amount not to exceed \$16,000,000 to refund either or both of the 2011 Bond and 2012 Bond to achieve debt service savings and to pay issuance expenses of the 2020 Bond; and

WHEREAS, the Board has determined to issue the Bond under the General Trust Indenture dated as of May 1, 2002 (the “General Indenture”) between the Board and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Trustee”), and a series indenture (the “Series Indenture”) between the Board and the Trustee; and

WHEREAS, the Bond and other obligations issued under the General Indenture are payable solely from any funds of UNC Wilmington or the Board in each fiscal year remaining after satisfying obligations of UNC Wilmington or the Board under a trust indenture, trust agreement or bond resolution providing for the issuance of debt of the Board with respect to UNC Wilmington as of the date of the General Indenture, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC Wilmington 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 all of the Bonds to a financial institution (the “Purchaser”) selected through a request for proposals process whose bid result in the most favorable terms for UNC Wilmington; and

WHEREAS, in order to lock the interest rate with the Purchaser, the Board may need to enter into an agreement with the Purchaser to pay an amount necessary to make the Purchaser whole for a change in interest rates if the Bond is not issued by the Board on or before a certain date (the “*Rate Lock Agreement*”);

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 Series Indenture; and
3. the Bond in the form set forth in the Series Indenture; and

WHEREAS, the issuance of the 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 Bond in compliance with Section 116D-23 of the Act;

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

Section 1. **Authorization of Bond.** That the Board hereby authorizes the issuance of the Bond in an aggregate principal amount not to exceed \$16,000,000 under the General Indenture and the Series Indenture to pay the costs of refunding either or both of the 2011 Bond and the 2012 Bond and costs incurred in connection with the issuance of the Bond. The Bond 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*”), or his designee, in consultation with the appropriate officers at UNC Wilmington, determine to be in the best interest of UNC Wilmington to achieve debt service savings.

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 Bond.

Section 3. **Selection of Purchaser and other Financing Team Members.** That the Board authorizes the SVP-Finance and the Vice Chancellor for Business Affairs of UNC Wilmington to select the Purchaser based on the request for proposal process and any other professionals necessary to undertake the financing as contemplated in this Resolution.

Section 4. **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 of the UNC System, the SVP-Finance, the Secretary and the Assistant Secretary of the Board and the Secretary of the UNC System, or anyone acting in an interim capacity, 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 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

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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.

In connection with the selection of the Purchaser authorized above, the Authorized Officers and the Vice Chancellor for Business Affairs of UNC Wilmington, individually or collectively, are authorized to enter into a Rate Lock Agreement and, to the extent necessary, make any payment from any legally available funds of UNC Wilmington that may be required under the Rate Lock Agreement.

Section 5. **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 Bond. Any provision in this Resolution that authorizes more than one Authorized Officer to take certain actions shall be read to permit such Authorized Officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Business Affairs at UNC Wilmington, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the issuance and on-going administration of the Bond on behalf of UNC Wilmington.

Section 6. **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 7. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

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