

Remarketing of Special Obligation Bonds – University of North Carolina at Chapel Hill

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.

The University of North Carolina at Chapel Hill requests that the Board approve the remarketing of (1) its General Revenue Refunding Bonds, 2019A (the “2019A Bonds”) and (2) its General Revenue Refunding Bonds, 2019B Bonds (the “2019B Bonds,” and together with the 2019A Bonds, the “2019 Bonds”) prior to their mandatory tender date and the delivery of a related remarketing supplement. UNC-Chapel Hill is requesting to remarket the 2019 Bonds, the proceeds of which refunded bonds that were originally issued in 2012 and 2016. The Board has previously approved the remarketing or refinancing of the bonds in 2016 and 2019.

The 2019 Bonds were issued as “floating rate notes” and are subject to mandatory tender on December 1, 2021, in accordance with their terms. The 2019 Bonds may be refinanced or remarketed on or after June 1, 2021, without penalty. Approval of remarketing the 2019 Bonds will avoid tendering the bonds on December 1, 2021, or incurring additional cost of issuance related to another transaction.

UNC-Chapel Hill requests that the Board approve (1) the remarketing of the 2019 Bonds prior to their mandatory tender date and (2) the delivery of a new remarketing supplement in connection with the remarketing of the 2019 Bonds. This request would authorize UNC-Chapel Hill to remarket the 2019 Bonds in accordance with their terms in a new variable interest rate mode while maintaining their original maturity dates.

UNC-Chapel Hill anticipates that each series of the 2019 Bonds will be remarketed on a variable rate basis and will have a mandatory purchase date within one to three years. Requests for remarketing bonds is administrative and shall occur prior to each mandatory purchase date. To reduce liquidity risk associated with each mandatory purchase date, UNC-Chapel Hill expects the 2019 Bonds to be remarketed with a term-out provision that will allow UNC-Chapel Hill to repay or restructure the 2019 Bonds over a period of up to three years following each mandatory purchase date, consistent with the 2019 Bonds’ existing terms.

The 2021 Bonds will be remarketed by BofA Securities, Inc. who is a member of the pool of approved underwriters selected by UNC-Chapel Hill through a competitive RFP process.

Currently, UNC-Chapel Hill is rated “Aaa” with a stable outlook by Moody’s Investors Service, “AAA” with a stable outlook by Standard & Poor’s Global Ratings, and “AAA” with a stable outlook by Fitch Ratings. The transaction is not expected to have any impact on UNC-Chapel Hill’s credit ratings.

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

RECOMMENDATION

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

APPENDIX I

RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE CONVERSION AND REMARKETING OF SPECIAL OBLIGATION BONDS FOR THE UNIVERSITY OF NORTH CAROLINA AT CHAPEL HILL

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, 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 bond 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 previously issued the University of North Carolina at Chapel Hill General Revenue Refunding Bonds, Series 2019A and the University of North Carolina at Chapel Hill General Revenue Refunding Bonds, Series 2019B (the “2019 Bonds”), the proceeds of which were used to refinance the construction, renovation, improvement, equipping and furnishing of certain facilities on the UNC Chapel Hill campus, under the General Indenture and Series Indenture, Number 16 dated as of February 1, 2019 (the “Sixteenth Series Indenture”) between the Board and the Trustee;

WHEREAS, the Board has determined to convert the interest rate and remarket the 2019 Bonds that are subject to mandatory tender by their terms on December 1, 2021 in accordance with the Sixteenth Series Indenture;

WHEREAS, in connection with the remarketing of the 2019 Bonds, the Board has determined to cause to be prepared and delivered a Remarketing Supplement (the “2019 Bonds Remarketing Supplement”), a form of which has been made available to the Board;

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

Section 1. **Remarketing of 2019 Bonds.** That the Board authorizes the conversion of the interest rate and remarketing of the 2019 Bonds in accordance with the terms of the Sixteenth Series Indenture. The Authorized Officers, be and they hereby are each authorized, empowered and directed to execute and deliver such amendments to the Sixteenth Series Indenture for and on behalf of the Board as shall to them seem necessary, desirable or appropriate in remarketing the 2019 Bonds. BofA Securities, Inc. (the “Remarketing Agent”) is hereby appointed as the Remarketing Agent for the remarketing of the 2019 Bonds. The Vice Chancellor for Finance and Operations at UNC-Chapel Hill, in consultation with the SVP-Finance, is authorized and directed to establish the terms for the remarketing of the 2019 Bonds in accordance with the Sixteenth Series Indenture. The 2019 Bonds may be remarketed at a premium to provide funds, in addition to funds to pay the tender price of the 2019 Bonds, to pay the costs of issuance related to the remarketing of the 2019 Bonds. The form, terms and content of the 2019 Bonds Remarketing Supplement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the 2019 Bonds Remarketing Supplement by the Remarketing Agent in connection with the remarketing of the 2019 Bonds is hereby in all respects authorized, approved, ratified and confirmed. The Chairman of the Board, the President, the SVP-Finance and Vice Chancellor for Finance and

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Operations of UNC Chapel Hill, individually or collectively, be and they hereby are each authorized, empowered and directed to deliver the 2019 Bonds Remarketing Supplement for and on behalf of the Board in substantially the form and content of the 2019 Bonds Remarketing Supplement presented to the Board, but with such changes, modifications, additions or deletions therein as shall to them seem necessary, desirable or appropriate.

Section 2. **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 remarketing of the 2019 Bonds and otherwise contemplated by this Resolution. Any provision in this Resolution that authorizes more than one officer to take certain actions shall be read to permit such officers to take the authorized actions either individually or collectively. The Chancellor and the Vice Chancellor for Finance and Operations at UNC-Chapel Hill, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents and take such actions as may be necessary to the on-going administration and the remarketing of the 2019 Bonds and otherwise contemplated by this Resolution on behalf of UNC-Chapel Hill.

Section 3. **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 4. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

PASSED, ADOPTED, AND APPROVED this 27th day of May, 2021.

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STATE OF NORTH CAROLINA
COUNTY OF ORANGE

I, Meredith McCullen, Secretary of the University of North Carolina System, DO HEREBY CERTIFY that (1) the foregoing is a full, true and correct copy of the approving resolution adopted by the Board of Governors of the University of North Carolina System at its meeting on May 27, 2021, and appearing in the minutes of such meeting, (2) notice of the meeting of the Board of Governors of the University of North Carolina System held on May 27, 2021 was sent to each member of the Board, and (3) a quorum was present at the meeting on May 27, 2021, at which time the foregoing Resolution was adopted.

WITNESS, my hand and the seal of the University of North Carolina System this ____ day of May, 2021

[SEAL]

Meredith McCullen, Secretary of the University
of North Carolina System