

## **Sale of Special Obligation Bonds – The University of North Carolina at Greensboro**

### **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 Greensboro (UNC Greensboro) requests that the Board of Governors (the “Board”) enter into a forward delivery agreement (the “Agreement”) with Morgan Stanley & Co. LLC (“Morgan Stanley”) under which the Board would commit to issuing special obligation bonds in 2024 (the “2024 Bonds”) in an amount not to exceed \$92.385 million, at Morgan Stanley’s option, to be purchased by Morgan Stanley to refund UNC Greensboro’s General Revenue Bonds, Series 2014 (the “2014 Bonds”) maturing on and after April 1, 2025 (the “Refunded Bonds”).

Upon execution of the Agreement, Morgan Stanley would pay UNC Greensboro an amount equal to the expected net present value savings of the refunding (approximately \$11 million or approximately 11.9 percent of the par amount of the Refunded Bonds). UNC Greensboro has indicated that it will use the proceeds from entering into the Agreement (1) in the amount of \$10,330,306, plus up to 5 percent of such amount to pay issuance expenses and related costs, to fund The Arts Place at Tate and Gate (the “Special Obligation Project”), authorized by S.L. 2021-74, and (2) any remaining amount of the proceeds either to defease such amount of the 2014 Bonds maturing before April 1, 2025 or to downsize the 2024 Bonds. Any capital increases over \$10,330,306 of The Arts Place at Tate and Gate project must be approved by the Board and such increases shall not be paid from state appropriations, repair and renovation funds, or debt service fees. UNC Greensboro would not be allowed to request a new debt service fee or to repurpose existing debt service fee revenues to pay for or increase the project budget.

UNC Greensboro understands and acknowledges that if a termination event occurs pursuant to the Agreement, the university will fund and mitigate such event. In the event of a Termination Funding Event, UNC Greensboro will finance the required Make Whole Payment to be paid to Morgan Stanley with funds from non-state funds and would not request additional funding from the Board of Governors and General Assembly to finance such payment.

The 2024 Bonds, if issued, would be issued on a tax-exempt basis with the same coupons as the Refunded Bonds and purchased by Morgan Stanley at a price such that their issuance would not result in any debt service savings over their remaining term.

UNC Greensboro currently has an issuer credit rating of “Aa3” with a stable outlook by Moody’s Investors Service and an issuer credit rating of “A+” with a stable outlook from S&P Global. This transaction is expected to have no impact on UNC Greensboro’s credit rating.

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

### **RECOMMENDATION**

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

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### RESOLUTION OF THE BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA SYSTEM AUTHORIZING THE ISSUANCE OF SPECIAL OBLIGATION BONDS TO FUND AND REFUND SPECIAL OBLIGATION BOND PROJECTS FOR THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

**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 its The University of North Carolina at Greensboro General Revenue Bonds, Series 2014 (the “2014 Bonds”) to finance the acquisition of residence halls known as Spartan Village and the construction and equipping of a new student recreation center;

**WHEREAS**, The University of North Carolina at Greensboro (“UNC Greensboro”) and its financial advisor have advised the Board that it has received a proposal from Morgan Stanley & Co. LLC (“Morgan Stanley”) to enter into a forward delivery bond purchase agreement between the Board and Morgan Stanley (the “Forward Delivery Agreement”) under which the Board would commit to issuing bonds in 2024, at Morgan Stanley’s option, to be purchased by Morgan Stanley to refund all or a portion of the 2014 Bonds maturing on and after April 1, 2025 (the “Refunded Bonds”);

**WHEREAS**, the bonds to be issued in 2024 would have the same coupons as the Refunded Bonds and will be purchased by Morgan Stanley at a price such that their issuance would not result in any debt service savings over the remaining term, and the expected savings generated from this refunding would be paid by Morgan Stanley to UNC Greensboro in the amount of the expected net present value of such savings at the time the Forward Delivery Agreement is executed;

**WHEREAS**, UNC Greensboro has indicated that it will use the proceeds from entering into the Forward Delivery Agreement (1) in the amount of \$10,330,306, plus up to 5 percent of such amount to pay issuance expenses and related costs, to fund The Arts Place at Tate and Gate (the “Special Obligation Bond Project”) authorized by S.L. 2021-74 of the 2021 Session Laws of the North Carolina General Assembly (the “2021 Session Law”) plus any additional amount subsequently approved by the Board and authorized by the Director of the Budget to be used to fund the Special Obligation Project and (2) any additional amount to either defease such amount of The University of North Carolina at Greensboro General Revenue Bonds, Series 2014 maturing before April 1, 2025 or to downsize the refunding of the Refunded Bonds;

**WHEREAS**; the Board has determined to authorize the issuance of The University of North Carolina at Greensboro General Revenue Refunding Bonds (the “Bonds”) in an aggregate principal amount not to exceed \$92,385,000 for the combined purposes of refunding and defeasance of all or a portion of the 2014 Bonds as described herein and, by virtue of using the payment under the Forward Delivery

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Agreement representing value of the savings produced by the refunding, to fund the Special Obligation Bond Project; and

**WHEREAS**, the Board has determined to issue the Bonds under the General Trust Indenture dated as of June 1, 2001 (the "*General Indenture*") between the Board and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*"), and a series indenture (the "*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 UNC Greensboro, or of the Board held for UNC Greensboro, in each Fiscal Year, including Unrestricted Fund Balances shown as such on the UNC Greensboro financial statements, but excluding (1) appropriations by the General Assembly of the State from the State General Fund, (2) tuition payments by UNC Greensboro students, (3) funds whose purpose has been restricted by the gift, grant or payee thereof and (4) revenues generated by Special Facilities (the "*Available Funds*");

**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;
3. the Forward Delivery Agreement;
4. the Bonds in the form set forth in the Series Indenture; and
5. the Escrow Agreement between the Board and The Bank of New York Mellon Trust Company, N.A., as escrow agent, as may be necessary for the defeasance and refunding of the 2014 Bonds as described above; and

**WHEREAS**, the issuance of the Bonds does not directly or indirectly or contingently obligate the State of North Carolina or any agency or political subdivision of the State of North Carolina to levy or to pledge any taxes to pay the cost, in whole or in part, of the Bonds in compliance with Section 116D-23 of the Act;

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

Section 1. **Authorization of Bonds.** That the Board hereby authorizes the execution and delivery of the Forward Delivery Agreement, the receipt of the upfront payment by UNC Greensboro per the Forward Delivery Agreement and the use of such funds (1) in the amount of \$10,330,306, plus up to 5percent of such amount to pay issuance expenses and related costs, plus any additional amount subsequently approved by the Board and authorized by the Director of the Budget to be used to fund the Special Obligation Project, to fund the Special Obligation Bond Project and (2) any additional amount to either defease such amount of The University of North Carolina at Greensboro General Revenue Bonds, Series 2014 maturing before April 1, 2025 or to downsize the refunding of the Refunded Bonds. Any additional approvals related to the amount to be spent on the Special Obligation Bond Project must be complete before the 2024 Bonds are issued.

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The Board hereby authorizes the issuance of the Bonds under the terms as agreed to in the Forward Delivery Agreement in an aggregate principal amount not to exceed \$92,385,000 under the General Indenture and the Series Indenture to pay the costs of refunding the Refunded Bonds. The Bonds may otherwise be issued in the manner that as the Senior Vice President for Finance and Administration and CFO of the UNC System (the “SVP-Finance”), or her designee, in consultation with the appropriate officers at UNC Greensboro, determine to be in the best interest of UNC Greensboro to fulfill its obligations under the Forward Delivery Agreement.

If an event occurs that is described in the Forward Delivery Agreement under which Morgan Stanley is authorized to terminate the Forward Delivery Agreement and a payment is owed by the Board to Morgan Stanley as a result of such termination, the Board authorizes and directs UNC Greensboro to make such payment on behalf of the Board from Available Funds or any other legally available funds.

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, to make any payments that may be due under the Forward Delivery Agreement and to provide for the maintenance and operation of the facilities at UNC Greensboro to the extent required under the General Indenture.

Section 3. **Selection of Financing Team Members.** That the Board authorizes the SVP-Finance and the Vice Chancellor for Business Affairs of UNC Greensboro to select 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 any successor to such functions, 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 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 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 Forward Delivery Agreement and the Bonds. 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 Greensboro, or their respective designees, individually or collectively, are hereby authorized to execute and deliver all documents as may be necessary to the

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issuance and on-going administration of the Forward Delivery Agreement and the Bonds on behalf of UNC Greensboro.

Section 6. **Official Declaration of Intent to Reimburse.** If an event occurs that is described in the Forward Delivery Agreement under which Morgan Stanley is authorized to terminate the Forward Delivery Agreement and a payment is owed by the Board to Morgan Stanley as a result of such termination, the Board may authorize the issuance of bonds to reimburse UNC Greensboro for the amount spent to fund the Special Obligation Bond Project. In such event, UNC Greensboro expects to proceed with the Special Obligation Bond Project and to incur and pay certain expenditures in connection with the Special Obligation Bond Project prior to the date of issuance of the bonds (the “*Original Expenditures*”), such Original Expenditures to be paid for originally from a source other than the proceeds of the bonds, and the Board intends UNC Greensboro to be reimbursed for such Original Expenditures from a portion of the proceeds of the bonds to be issued at a date occurring after the dates of such Original Expenditures. If such bonds were to be issued, the Board presently intends, and reasonably expects, UNC Greensboro to be reimbursed for the Original Expenditures incurred and paid by UNC Greensboro on or after the date occurring 60 days prior to the date of adoption of this Resolution from a portion of the proceeds of the bonds. The Board reasonably expects that it would issue the bonds to finance the Special Obligation Bond Project and the maximum principal amount of bonds expected to be issued to pay for the Special Obligation Bond Project is \$10,330,306. This Resolution is a declaration of official intent of the Board under Section 1.150-2 of the Treasury Regulations promulgated under Section 103 of the Internal Revenue Code of 1986, as amended, to evidence the Board’s intent to cause UNC Greensboro to be reimbursed for the Original Expenditures from proceeds of the bonds. The Vice Chancellor for Business Affairs of UNC Greensboro or his designee, with advice from bond counsel, is hereby authorized, directed and designated to act on behalf of UNC Greensboro in determining and itemizing all of the Original Expenditures incurred and paid by UNC Greensboro in connection with the Special Obligation Bond Project.

Section 7. **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 8. **Effective Date.** This Resolution is effective immediately on the date of its adoption.

*PASSED, ADOPTED, AND APPROVED* this 22nd day of July, 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 July 22, 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 July 22, 2021 was sent to each member of the Board, and (3) a quorum was present at the meeting on July 22, 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 July, 2021

[SEAL]

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Meredith McCullen, Secretary of the University  
of North Carolina System