

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 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 Wilmington (“UNCW”) requests that the Board issue special obligation bonds (the “2021 Bonds”) in an amount not to exceed \$9.75 million, plus an additional amount not to exceed 5 percent of such principal amount, to finance the construction of the Walton Drive Student Village – Recreational Fields and Facilities (the “Project”) on UNCW’s campus and pay costs incurred in connection with the issuance of the 2021 Bonds. The General Assembly authorized the Project under S.L. 2021-74. The expected cost of funds of the 2021 Bonds is approximately 3.75 percent. The project will be funded from a portion of the existing student debt service fee, which was used to retire debt and will be redirected to the proposed project.

The 2021 Bonds will be issued on a tax-exempt basis and sold in the public market on a negotiated basis by PNC Capital Markets, LLC, which was selected through a competitive RFP process.

UNCW currently has an issuer credit rating of “Aa3” with a stable outlook by Moody’s Investors Service. This transaction is expected to have no impact on UNCW’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 FINANCE SPECIAL OBLIGATION BOND PROJECTS
FOR UNIVERSITY OF NORTH CAROLINA WILMINGTON AND
DECLARING ITS INTENT FOR UNIVERSITY OF NORTH CAROLINA WILMINGTON TO
REIMBURSE FROM PROCEEDS OF BONDS**

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;

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;

WHEREAS, the University of North Carolina Wilmington (“UNC Wilmington”) has requested the Board to issue special obligation bonds, the proceeds of which are to be used by UNC Wilmington for the construction of the Walton Drive Student Village – Recreational Fields and Facilities on UNC Wilmington’s campus as authorized by S.L. 2021-74 of the 2021 Session Laws of the North Carolina General Assembly (the “Special Obligation Bond Project”);

WHEREAS, the Board has determined to issue University of North Carolina Wilmington General Revenue Bonds (with appropriate descriptions and series designations) in one or more series (the “Bonds”) in an aggregate principal amount not to exceed \$9,750,000 to pay a portion of the costs of the Special Obligation Bond Project; and not to exceed an additional 5percent of such principal amount to pay the costs incurred in connection with the issuance of the Bonds;

WHEREAS, the Board has determined to issue the Bonds 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 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 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 of North Carolina (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”);

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WHEREAS, PNC Capital Markets LLC (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 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 set forth in the Series Indenture;

WHEREAS, UNC Wilmington 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 Wilmington 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;

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 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 issuance of the Bonds in an aggregate principal amount not to exceed \$9,750,000 under the General Indenture and the Series Indenture to finance the Special Obligation Bond Project, plus not to exceed an additional 5percent of such principal amount to pay the costs incurred in connection with the issuance of the Bonds. The Bonds may be issued in one or more series of bonds, 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 Wilmington, determine to be in UNC Wilmington’s best interest.

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 and to provide for the maintenance and operation of the facilities at UNC Wilmington to the extent required under the General Indenture.

Section 3. **Selection of Underwriters and other Financing Team Members.** That the Board authorizes the SVP-Finance and the Vice Chancellor for Business Affairs of UNC Wilmington to select co-

managing underwriters for the Bonds, if necessary or desirable, 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 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. **Authorization of Purchase Agreement.** That the Chairman of the Board, the President of the UNC System and the SVP-Finance, individually or collectively, be and they hereby 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 and that 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.** That the form, terms and content of the Preliminary Official Statement be and the same hereby are in all respects authorized, approved and confirmed, and the use of the Preliminary Official Statement by the Underwriter in connection with the sale of the Bonds is hereby in all respects authorized, approved, ratified and confirmed. The President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, be and they hereby 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 execution of the Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein, and the use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the sale of the Bonds to investors is hereby 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. 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

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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 Bonds on behalf of UNC Wilmington.

Section 8. **Official Declaration of Intent to Reimburse.** The Board presently intends, and reasonably expects, UNC Wilmington to be reimbursed for the Original Expenditures incurred and paid by UNC Wilmington 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 will 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 \$9,750,000. 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 Wilmington to be reimbursed for the Original Expenditures from proceeds of the Bonds. The Vice Chancellor for Business Affairs of UNC Wilmington or his designee, with advice from bond counsel, is hereby authorized, directed and designated to act on behalf of UNC Wilmington in determining and itemizing all of the Original Expenditures incurred and paid by UNC Wilmington in connection with the Special Obligation Bond Project.

Section 9. **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 10. **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]

Meredith McCullen, Secretary of the University
of North Carolina System