

Sale of Special Obligation Bonds – Winston-Salem State University

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.

Winston-Salem State University (“WSSU”) requests that the Board issue special obligation bonds in an amount not to exceed \$27 million (the “2022 Bonds”) for the purpose of refunding the callable maturities of WSSU’s General Revenue Bonds, Series 2013 (the “2013 Bonds”). WSSU estimates that it can achieve approximately \$6 million in net present value savings by refunding the 2013 Bonds, or approximately 24 percent of the par amount refunded, which is based on a cost of funds of approximately 2.5 percent.

The 2022 Bonds will be issued on a tax-exempt basis and sold in the public market on a negotiated basis by PNC Capital Markets, which was selected through a competitive RFP process. The 2022 Bonds will be delivered for settlement on or before April 1, 2022, the call date for the 2013 Bonds, under the terms of a forward delivery bond purchase agreement, which will eliminate interest rate risk between now and the call date.

WSSU currently has an issuer credit rating of “A3” with a stable outlook by Moody’s Investors Service and an issuer credit rating of “BBB+” with a negative outlook from S&P Global. This transaction is expected to have no impact on WSSU’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 FOR WINSTON-SALEM STATE UNIVERSITY

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, 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, Winston-Salem State University (“WSSU”) has requested the Board to issue special obligation bonds, the proceeds of which are to be used to refund the Winston-Salem State University General Revenue Bonds, Series 2013 (the “2013 Bonds”), the proceeds of which were used to finance and refinance projects for WSSU, in order to achieve debt service savings;

WHEREAS; the Board has determined to issue Winston-Salem State University General Revenue Refunding Bonds (with appropriate descriptions and series designations) (the “Bonds”) in an aggregate principal amount not to exceed \$27,000,000 to refund all or a portion of the 2013 Bonds maturing on and after April 1, 2023 and to pay issuance expenses related to the Bonds; and

WHEREAS, the Board has determined to issue the Bonds under the General Trust Indenture dated as of July 1, 2013 (the “General Indenture”) between the Board and U.S. Bank National Association, as trustee (the “Trustee”), and a Series Indenture, Number 3 (the “Series Indentures”) 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 WSSU, or of the Board held for WSSU, in each Fiscal Year, but excluding (1) appropriations by the General Assembly of the State of North Carolina from the State General Fund, (2) tuition payments by WSSU 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, PNC Capital Markets LLC (the “Underwriter”) will agree to purchase all of the Bonds on a forward-delivery basis pursuant to the terms of a forward delivery bond purchase agreement (the “Bond Purchase Agreement”) between the Board and the Underwriter; and

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:

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1. the General Indenture;
2. the Series Indenture;
3. the Bond Purchase Agreement;
4. an Escrow Agreement between the Board and U.S. Bank National Association, as escrow agent, related to the refunding 2013 Bonds;
5. 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
6. the form of the Bonds set forth in the Series Indenture; and

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.** The Board hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$27,000,000 under the General Indenture and the Series Indenture to (a) refund all or a portion of the 2013 Bonds maturing on and after April 1, 2023 and (b) pay issuance expenses of the Bonds.

The Bonds 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 her designee, in consultation with the appropriate officers at WSSU, determine to be in the best interest of WSSU to achieve debt service savings. The Bonds may also be insured by bond insurance if the SVP-Finance and the appropriate officers at WSSU determine it to be in the best interest of WSSU.

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 WSSU to the extent required under the General Indenture.

Section 3. **Selection of Underwriter and other Financing Team Members.** That the Board ratifies the selection of the Underwriter for the Bonds and authorizes the SVP-Finance, in consultation with the appropriate officers at WSSU, 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 anyone acting in an interim

capacity, or their respective designees, 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, or their respective designees, be and they hereby are each authorized, empowered and directed to execute and deliver the Bond 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 Bond 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 Agreements 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 Bond Purchase Agreement to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein. If the President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, determine that the inclusion of additional updated information is necessary for use in the public offering and settlement of the Bonds, the President of the UNC System and the SVP-Finance, or their respective designees, individually or collectively, are in all respects authorized, empowered and directed to update the Official Statement (the “*Updated Official Statement*”) and to execute and deliver the Updated Official Statement, but with such changes, modifications, additions or deletions to the Official Statement as they determine necessary, desirable or appropriate, the delivery thereof to constitute conclusive evidence of the Board’s approval of any and all such changes, modifications, additions or deletions therein. The use of Preliminary Official Statement, the Official Statement and the Updated Official Statement by the Underwriter in connection with the sale of the Bonds with 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

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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 Finance and Administration at WSSU, 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 WSSU.

Section 8. ***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 9. ***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