AGENDA
ECU Board of Trustees
Facilities and Resources Committee
Mendenhall Student Center, Great Room 1
12:30 P.M., November 20, 2008

I. MINUTES

A. Facilities and Resources Committee Meetings of September 25, 2008 and October 27, 2008 Action

II. UNIVERSITY ADVANCEMENT

A. Naming Proposals Action

B. Historical Record of Named Facilities Discussion

C. Second Century Campaign Update Discussion

D. ECU Alumni Association Discussion

III. ADMINISTRATION AND FINANCE

A. Construction Manager @ Risk Selection for Dental School Action

B. Designer Selections

   • Athletic Fields Action
   • Aycock Door Replacement Information
   • Fletcher Bathroom Renovation Information

C. Elevation Approvals Action

   • Croatan
   • Scott Residence Hall

D. ECU Debt Management Guidelines – Janice Burke Information

E. Capital Budget Update Information

F. Master Plan Update Information

G. Wright Fountain Update Information

H. Other
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<td>Responsible Person</td>
<td>Vice Chancellor for Administration and Finance Kevin Seitz</td>
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<td>Agenda Item</td>
<td>I. A.</td>
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<tr>
<td>Item Description</td>
<td>Minutes of September 25, 2008 and October 27, 2008 Meetings</td>
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<td>Comments</td>
<td>N/A</td>
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<td>Action Requested</td>
<td>Committee approval</td>
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ECU Board of Trustees
Facilities and Resources Committee
September 25, 2008

MINUTES

Committee members present: Robert Brinkley, David Redwine (Chair), Mark Tipton and Margaret Ward. ECU administrators/staff attending were Chancellor Ballard, Bill Bagnell, Scott Buck, Mickey Dowdy, Steve Duncan, Kay Hill, Lisa Overman and Kevin Seitz.

Chairman Redwine called the meeting to order at 12:07 p.m. and read the conflict of interest statement required by the State Government Ethics Act. No conflicts were declared. Chairman Redwine presented a motion to approve the minutes of the July 14, 2008 meeting. The minutes were unanimously approved.

University Advancement

Mr. Dowdy reported on Advancement agenda items and presented the naming proposals outlined below:

- College of Human Ecology proposal for culinary food laboratory in the Rivers Building to be named the Golden Corral Culinary Center. Mr. Tipton moved to approve; Mr. Brinkley seconded; unanimously approved.

- College of Nursing proposals to honor seven (7) donors by naming various spaces within the Nursing wing of the LAHN Building. Mr. Tipton moved to approve; Mr. Brinkley seconded; unanimously approved.

Mr. Dowdy reported the following Second Century Campaign and ECU Alumni Association highlights:

- July 1, 2007-June 30, 2008 total private philanthropy $38,288M, an all-time high! (Total $s raised $28,295M with addition of future state matching $1,256M and grants (corps/foundations) $8,797M)

- As of June 30, 2008, Second Century Campaign totaled $107,718M; current total now past $112M

- Even with economic environment causing uncertainty, campaign plans are continuing.

- Servire, The Magazine of the East Carolina Alumni Association – 2nd edition, was distributed as were copies of 2008 Homecoming brochure. Positive comments
regarding these and other recent alumni publications being created by University Publications.

- Very enthusiastic Board with great volunteers working hard for ECU which are key to success

- Dues-paying members currently at 4,300 which is ahead of projections when dues program was started a few years ago.

Clint Bailey (Assistant Vice Chancellor, University Marketing) shared the following marketing highlights:

- New, creative media plans being developed as well as continuing our presence in outlets successful in the past:
  - Magazines – *Time*, *Newsweek*, *Business NC*, *Our State*, etc.
  - Outdoor – year-round billboards in eastern NC & will supplement with major market boards in the spring; new RDU signs in new terminal
  - TV & radio – usually run in spring but also considering fall runs to begin after election season
  - Expand online advertising through direct buys on regional/local sites & through ad networks for national sites.

- Overall expansion of online activity
  Addition of staff enabled expansion of web work including new features online: ECU Field Journal / Blog; webcam & telling the ECU story through website.
  Launched YouTube partner channel approx. 2 weeks ago which allows sharing video content through this popular website.

- New creativity for traditional media
  Bit of a shift from centennial focus and more of a return to our fundament "Tomorrow Starts here" message & some of the concepts addressed in our 5 strategic directions.
  New ads highlighting:

*Economic prosperity* - scheduled to appear in Oct. issue of *Business NC* in conjunction with special section covering Economic Roundtable which ECU hosted in partnership with the magazine in July.

*Leadership* – video on ropes challenge course available at our YouTube channel

*Heroic image* – ECU has tradition of responding to seemingly insurmountable challenges that we believe, should we succeed, will be of great benefit to those we serve. The ad highlighting the dental school speaks to that theme in the broad context of "Tomorrow Starts Here" and the more specific context of the dental school.
• "Tomorrow starts here"... continues to resonate with people and speaks to many different aspects of the university – location in the east, research, optimism.

Mr. Bailey stated the "Tomorrow starts here" video is being used for new student orientation. Mr. Tipton asked who's responsible for the "Pirate" at football game and then went on to say we must capitalize on ECU's upward movement and visibility and he anticipates advertising will accomplish this along with other marketing initiatives as well as the continued success of athletics.

Mr. Dowdy distributed copies of University Advancement and University Foundations FY 2008-09 Goals and concluded his report at 1:10 p.m.

Administration and Finance

   Mr. Seitz introduced Mr. Bagnell as Associate Vice Chancellor for Campus Operations.

ECU Real Estate Foundation, Inc.

   Mr. Burney Warren, Chair of the ECU Real Estate Foundation, Inc. presented a report on the ECU Real Estate Foundation, Inc. which is involved with assisting the university with acquisition of real property.

Coastal Studies Institute

   Dr. Nancy White presented a review and update on the Coastal Studies Institute's vision, possible property acquisition and ECU's role/responsibilities.

Family Medicine/Monk Geriatrics Center Elevations

   Mr. Bagnell introduced Mr. Hall, from BBH Design, who presented revised elevations of the Family Medicine/Monk Geriatrics Center. A motion to approve the elevations was presented and passed unanimously.

Property

   The Committee entered into a closed session to consider the financial terms of a sub-lease with the ECU Real Estate Foundation, Inc. After conclusion, a motion was presented and passed unanimously by the Committee to approve the sub-lease.

ECU Debt Management Guidelines

   A draft of ECU Debt Management Guidelines was presented for the Committee's review. Mrs. Jenkins, Associate Vice Chancellor for Financial Services, and Mr. Price,
Financial Director, were available for questions. Mr. Seitz asked for committee members to review the document, ask questions and make comments. He will request approval of the policy at a future meeting.

Capital Project Notebook

Mr. Seitz distributed the updated draft Capital Project Notebooks for review which contains the 2009/2011 Capital Projects list. He noted the changes in the list including the addition of the Medical School expansion item.

Designer Selections

The Committee reviewed the selection for the Family Medicine Center Commissioning and the CM@ Risk selection for Scott Residence Hall renovations. Mr. Bagnell, Associate Vice Chancellor for Campus Operations was available to answer questions.

The Committee approved a motion recommending that the Board approve the Family Medicine Center Commissioning Selection. A motion approving the CM@Risk for Scott Residence Hall renovations was also approved.

Scott Residence Hall Elevations

The Committee reviewed the Board materials provided related to Scott Residence Hall.

Croatan Demolition and Replacement Elevations

The Committee reviewed the Board materials provided regarding the Croatan Demolition and Replacement. The Croatan will be renovated and expanded, and Mrs. Ward will serve as the Board of Trustees representative.

Master Plan

Mr. Seitz presented an update on the Master Planning process. The Chancellor's Executive Council has approved the scope document and the consultant will be talking with campus groups to be sure the scope is complete. Contract negotiation is the next step in the process.

Status of Major Capital Projects

The Committee reviewed the summary presented in the Board materials on the status of major capital projects. Mr. Bagnell was available for questions. An update will be provided routinely in the capital projects notebook.
Way Finding Signage

Mr. Seitz presented a report on way finding signage for the health sciences campus. In particular he distributed a copy of a concept for “gateway” markers at the two ends of the campus. As progress is made on the process, updates will be forwarded to the Facilities and Resources Committee.

Other Items

Mr. Dowdy presented an update related to the North Campus Crossing Apartment Complex. Mr. Walter Williams met with Mr. Dowdy and Chancellor Ballard to discuss the possibility of ECU purchasing the apartment complex. Master planning, enrollment growth and state standards and procedures will be considered before any decisions are made. The Committee will be advised of future progress.

Mr. Bagnell reported on the morning meeting with the Dental School group. The designer has still not incorporated the Committee’s desires in the current design.

Mr. Bagnell reported on a suggestion to enhance the Cupola area of the quadrangle. The original donors would like to see the area enhanced with seating and lighting so that it can become a gathering area.

Mr. Bagnell reported on the need to relocate the grounds department on the health sciences campus to provide for growth and storage. The Committee agreed to move forward.

Mr. Buck presented an update on gravesite removal on the Dental School site. He will be meeting again with the Greenville City Council on November 6.

Mr. Seitz reported that ECU is interested in the Kinko’s on 10th Street. The owner contacted ECU about buying the property. Mr. Seitz has asked General Administration for funding if the property becomes available.

The meeting was adjourned at 2:55 p.m.
ECU Board of Trustees
Facilities and Resources Committee
October 27, 2008

MINUTES

Committee members present: Robert Brinkley, David Redwine, Chair, Mark Tipton and Margaret Ward. Others attending were Robert Ward, Kevin Seitz, Bill Bagnell, Kemal Atkins, Sue Martin and Fiona Baxter.

Chairman Redwine called the meeting to order at 11:10 a.m. and read the conflict of interest statement required by the State Government Ethics Act. No conflicts were identified.

Mr. Seitz indicated the purpose of this meeting was to continue the discussion regarding the Mendenhall Student Center/Ledonia Wright Cultural Center (MSC/LWCC) project.

Mr. Atkins presented a brief history of the MSC/LWCC project at the request of Mr. Brinkley. Mr. Bagnell reviewed the design and location history. Various options were discussed from moving forward with the current project to starting a new project which would involve adding a new building. Mrs. Ward raised concerns about the advisability of delaying the current project and considering other options. She noted that much time and more than $1M has been spent to-date. She also recommended starting all aspects of the project simultaneously. The following topics were discussed: the scope of the project, financing, review of student services for east and west campus, review of other Student Affairs capital needs, appropriateness of starting the LWCC before the MSC project, and viewing the project as part of the new master plan.

A motion was made by Mr. Brinkley to authorize staff to engage the Smith Group (ECU's master planning firm) to review options regarding the MSC/LWCC project to include determining location, type and number of buildings, manner of completing the renovation of MSC, parking, financing, etc. and to provide a report at a future Committee meeting. The motion was seconded by Mr. Tipton and approved.

A progress update will be presented at the November Board meeting.

The meeting was adjourned at 2:00 p.m.
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<td>Item Description</td>
<td>Health Sciences Building Naming Proposals</td>
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<td>Comments</td>
<td>Proposals have the support of the appropriate dean/director.</td>
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<td>Action Requested</td>
<td>Committee approval of naming proposals for later consideration by the full Board.</td>
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PROPOSAL TO EAST CAROLINA UNIVERSITY BOARD OF TRUSTEES 
TO NAME A FACILITY OR ACTIVITY

ROUTING SHEET

Chancellor’s Office:
Received 11.3.08
Action Approved / 11.3.08
Date
Forwarded or returned 11.4.08
Date
Chancellor’s Signature

Comments

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Naming of Buildings, Facilities and Other Recognitions Committee:
Received
Action / Date

Chair’s Signature

Comments

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Board of Trustees:
Received
Action / Date

Chair’s Signature

Comments

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MEMORANDUM

TO:           Steve Ballard
              Chancellor

FROM:         Mickey Dowdy
              Vice Chancellor for Advancement

DATE:         October 31, 2008

RE:           Health Sciences Building Naming Proposals

Attached are naming proposals to honor three (3) donors to the College of Nursing and Laupus Library naming spaces within the Nursing and Laupus wings of the Health Sciences Building. Each of these donors made gifts since the inception of the Second Century Campaign. All gifts have achieved the necessary thresholds outlined in the commemorative opportunities schematic adopted by the Board of Trustees Advancement and Naming Committee in 2006. It is the hope of Acting Dean Brown and Library Director Spencer, plus the Health Sciences Development staff members, that this action and visibility will serve as a catalyst to additional gifts. I have reviewed each of the proposals and support adoption. It is my recommendation that this be placed on the agenda for the upcoming meeting.

/MBD

C:           John Durham
PROPOSAL TO EAST CAROLINA UNIVERSITY BOARD OF TRUSTEES COMMITTEE ON NAMING UNIVERSITY FACILITIES AND ACTIVITIES

Mark Alexander—ECU Medical & Health Sciences Foundation
Name of Originator

College of Nursing 744-2238 alexanderma@ecu.edu
Department/Division Phone Email

Proposed Name(s) to Honor: Hal & Eldean Pierce

<table>
<thead>
<tr>
<th>Winterville</th>
<th>North Carolina</th>
<th>28590</th>
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<tbody>
<tr>
<td>City</td>
<td>State</td>
<td>Zip</td>
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<tr>
<td>355-2697</td>
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<td>Business</td>
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Relationship to the University: Eldean was an alumni of the College of Nursing. She passed away in 2007. Along with Hal, her widower, they established the Pierce Beta Nu Scholarship in 2004.

Proposed Object for Naming: Room 2165 in the College of Nursing; the Student Services Conference Room
(This proposal replaces 09/25/2008 request for naming of room 2145 in College of Nursing.)

Purpose for recommendation: □ Service X Gift
Explanation (Attach background materials as appropriate to justify the recommendation)

Hal has contributed $30,200 since April 1, 2004.

If related to a gift:

<table>
<thead>
<tr>
<th>Purpose of Gift:</th>
<th>□ Annual</th>
<th>□ Capital</th>
<th>X Endowment</th>
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<tbody>
<tr>
<td>Date of Original Commitment: 2004</td>
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<td>Amount of Total Commitment: $30,200</td>
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<td>Amount Paid:</td>
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<td>Current Pledge Balance:</td>
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<td>Status of Payments:</td>
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<td>Was the gift part of a campaign: X Yes</td>
<td>□ No</td>
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<td>Define: 2nd Century Campaign</td>
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<td>Was the project pre-approved: X Yes</td>
<td>□ No</td>
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Directed to: □ ECU Foundation □ Medical & Health Sciences Foundation
X Medical & Health Sciences Foundation □ Other

If the Gift was more than $25,000:
1. Attach a copy of the signed Letter of Intent.
2. Define in detail any special arrangements or expectations the donor may have resulting from this Gift.
3. If the Gift is other than cash or cash equivalent, explain the method of valuation, and the plan for liquidation.

Mark Alexander  4/21/08
Signature of Originator  Date

Sylvia S. Brown  9-17-08
Signature of Originator  Date
School of Nursing - 2nd Floor Naming Opportunities
PROPOSAL TO EAST CAROLINA UNIVERSITY BOARD OF TRUSTEES
COMMITTEE ON NAMING UNIVERSITY FACILITIES AND ACTIVITIES

Cynthia Adams
Name of Originator

Laupus Health Sciences Library 252-744-2219 adamsey@ecu.edu
Department/Division Phone Email

Proposed Name(s) to Honor: The John A. Campbell, Jr. and Elizabeth Folk Campbell Charitable Trust

Branch Banking & Trust

Trust Division, PO Box 2907

223 W. Nash Street

Wilson NC 27894
Address: City State Zip

Telephone: 252-246-4111
Home Business

Relationship to the University: The William E. Laupus Health Sciences Library at East Carolina University is the beneficiary of the John A. Campbell, Jr. and Elizabeth Folk Campbell Charitable Trust

Proposed Object for Naming: Archives in Laupus Health Sciences Library

Purpose for recommendation: □ Service □ Gift
Explanation (Attach background materials as appropriate to justify the recommendation)

With appreciation for the John A. Campbell, Jr. and Elizabeth Folk Campbell Charitable Trust that provides funds on an annual basis to purchase print and electronic resources, and equipment needed to support the use of these resources and training to prepare Laupus staff to assist users in effective use of the resources

If related to a gift:

Purpose of Gift: ☒ Annual □ Capital □ Endowment
Date of Original Commitment: April 11, 1988
Amount of Total Commitment: current value as of July 30, 2008 is $908,465.02
Amount Paid: $425,245.00 since 1998
Current Pledge Balance: Annual distributions are continuing
Status of Payments: current
Was the gift part of a campaign: □ Yes ☒ No Define:
Was the project pre-approved: ☒ Yes □ No

Directed to: □ ECU Foundation ☒ Medical & Health Sciences Foundation □ Educational Foundation □ Other

If the Gift was more than $25,000:
1. Attach a copy of the signed Letter of Intent.
2. Define in detail any special arrangements or expectations the donor may have resulting from this Gift.
3. If the Gift is other than cash or cash equivalent, explain the method of valuation, and the plan for liquidation.
MEMORANDUM OF AGREEMENT  
Amended September 2003

On behalf of The William E. Laupus, MD Health Sciences Library, (hereafter known as the Laupus Library and formerly known as the Health Affairs Library), a temporarily restricted fund is hereby established, referred to as The John A. Campbell, Jr. and Elizabeth Folk Campbell Charitable Trust. This fund's original balance was created by Mrs. Elizabeth Folk Campbell's gift from her charitable trust.

All available funds may be expended for the exclusive purpose of purchasing books and other resource materials for The William E. Laupus, MD Health Sciences Library. The intention of the Laupus Library Director is to purchase print and electronic resources, equipment needed to support use of these resources and training needed to prepare Laupus Library staff to assist users in effective use of these resources.

The Board of Directors of the Medical Foundation of ECU, Inc., will manage the fund. The administrator of the fund will be the Director of the Laupus Library and all expenditures must have the Director’s approval. Monthly statements should be forwarded to the Office of the Director of the Laupus Library. Any amendment to this agreement requires the approval of both parties or their successors in place at the time a change is proposed.

In witness hereof, the parties set their hand and seals as noted below.

Dorothy A. Spencer, Ph.D.  
Director, The William E. Laupus, MD Health Sciences Library

Charles E. Davis, III  
Interim President,  
Medical Foundation of ECU

DATE: 9/11/03
April 11, 1997

East Carolina University Foundation, Inc.
East Fifth Street
Greenville, NC  27858

Re:  (#01-1790-00)
Elizabeth F. Campbell Estate

Gentlemen:

The purpose of this letter is to advise you that East Carolina University Foundation, Inc. has been named as beneficiary of a charitable trust created under the will of Elizabeth F. Campbell of Edenton, North Carolina. A copy of Mrs. Campbell's will is enclosed for your information.

The administration of an estate is an involved and complicated process. We are setting forth below a timetable and sequence of events which occur during the normal administration of an estate.

Branch Banking and Trust Company has qualified as executor of the will of Elizabeth F. Campbell who died on October 25, 1996. We have had L. H. Gibbons, attorney for the estate, publish the Notice to Creditors in the local newspaper. This is a legal notice filed by the attorney which places all creditors on notice of the death of the decedent. The creditors are given three months to present their claims for what the estate owes them. It is also a notice to debtors to come in and pay what they owe the estate. Any claims which are not tendered within the three-month period may be waived by statutory law.

Once the assets of the estate have been reasonably determined, a computation of the estate's cash requirements will be made. The cash requirements of the estate refer to the cash needed to complete the proper administration of the estate. In computing the cash requirements, we take into account federal estate taxes, North Carolina inheritance taxes, debts, administrative expenses and fiduciary fees. This information will enable us to adopt the correct investment posture to meet the cash needs of the estate.

Within ninety (90) days from the date of qualification, the executor is required to file an inventory of the assets of the estate with the court. This is a preliminary, itemized list giving a full description and values of all real and personal property which have come into the hands of the executor. A copy of the inventory will be provided to you when it is prepared.

All assets of the estate (real and personal) are valued to determine their fair market value at date of death and six months from date of death (referred to as the alternate valuation date).
We must then make a decision as to whether to pay estate and inheritance taxes based on date of death values or the alternate valuation date.

The Federal Estate and North Carolina Inheritance Tax Returns are due nine months from date of death. In this case, the returns are due on July 25, 1997. The returns will be prepared by us and then reviewed by the attorney for the estate before they are finalized and mailed. They will then be filed with the appropriate taxing authority. At the same time, any tax computed to be due will be paid.

When we file the death tax returns for the estate, we request an early audit of the returns per Internal Revenue Code Section 2204 in order that the executor be relieved from personal liability within nine months from date of filing. This generally seems to speed the audit process. However, an audit may be conducted on any estate, which can extend the period of administration.

One year after the date of qualification, the executor is required to file an annual accounting with the court. This accounting sets forth all principal and income receipts and disbursements for the estate. At the same time, we will provide you with a copy of the accounting.

Upon receipt of the estate tax closing letter from the Internal Revenue Service, the executor will submit this closing letter to the North Carolina Department of Revenue. After the Department of Revenue has reviewed and approved the return, it will provide an Inheritance and Estate Tax Certificate to us. As a general rule, the North Carolina Department of Revenue does not require changes unless the Internal Revenue Service does. When the releases have been received from both the federal and state taxing authorities, the executor is in a position to proceed with the closing of the estate. At that time, all distributions can be made in accordance with the will.

As soon as all distributions have been made and receipts have been obtained, we will be in a position to proceed with the filing of the final accounting with the court. Once the accounting is approved, the estate is closed. Normally, the administration of an estate takes approximately 18 to 24 months from date of death.

The primary purpose of this letter is to provide you with an overview of the actions which will be taken during the administration of this estate. This overview is in no way all encompassing. There is a multitude of individual operations which shall be undertaken by us. However, we have attempted to outline our fundamental duties.

We are enclosing a W-9 form in order for you to supply us with your tax identification number as required by federal regulations. Please complete this form, sign, date and return the same to us in the envelope provided.
East Carolina University Foundation, Inc.
Re: (#01-1790-00)
April 11, 1997
Page 3

Should you have any questions or comments at any time during the estate settlement process, please let us know.

Very truly yours,

Vickie C. Boykin
Assistant Vice President
Trust Division

H. Gibbons
Cynthia Adams
Name of Originator

Laupus Health Sciences Library 252-744-2219 adamsccv@ecu.edu
Department/Division Phone Email

Proposed Name(s) to Honor: Dr. and Mrs. Daniel Gordon Walker

3195 Dowlen Road

Suite 101-313

Beaumont, Texas 77706

Address: City State Zip

Telephone: Home Business

Relationship to the University: Friends of East Carolina University: Dr. Ruth Moskop, Curator and Head of History Collections at Laupus Health Sciences Library is their daughter

Proposed Object for Naming: Student Study Room

Purpose for recommendation: □ Service □ Gift

Explanation (Attach background materials as appropriate to justify the recommendation)

If related to a gift:

Purpose of Gift: □ Annual □ Capital □ Endowment

Date of Original Commitment: December 12, 2006

Amount of Total Commitment: $10,000

Amount Paid: $10,000

Current Pledge Balance: 0

Status of Payments:

Was the gift part of a campaign: □ Yes □ No Define:

Was the project pre-approved: □ Yes □ No

Directed to: □ ECU Foundation □ Medical & Health Sciences Foundation

□ Educational Foundation □ Other

If the Gift was more than $25,000:

1. Attach a copy of the signed Letter of Intent.
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Cynthia Adams
Signature of Originator

Date 9/15/2008
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Kevin Seitz |
| Agenda Item      | III. A.                             |
| Issue Description| Construction Manager @ Risk Selection for Dental School |
| Comments         | This process is on-going. Materials will be distributed at the committee meeting. |
| Action Requested | Committee and Board Approval        |
| Disposition      |                                     |
| Notes            |                                     |
## Facilities and Resources Committee

### Responsible Person
- Vice Chancellor for Administration and Finance
  - Kevin Seitz
- Associate Vice Chancellor for Campus Operations
  - Bill Bagnell

### Agenda Item
- III. B.

### Issue Description
- Designer Selections

### Comments
The designer selection for athletic fields is on-going. Materials will be distributed at the Committee meeting. The designer selections for Aycock Door Replacement and Fletcher Bathroom Renovation are information items only.

### Action Requested
- Committee and Board Approval of Designer Selection for Athletic Fields

### Notes
MEMORANDUM

TO: Mr. Kevin Seitz, Vice Chancellor
   Administration & Finance

FROM: Lloyd B. Nobles, Interim Director

DATE: September 24th, 2008

SUBJ: Designer Selection
       Aycock Door Replacement
       Code: 40736     Item: 311

The designer pre-selection committee after using a qualifications based criteria recommends the following three firms in prioritized order:

MHA Works
Davis Kane Architects
JKF Architecture

Greenville, NC
Raleigh, NC
Greenville, NC

The committee consisted of Mr. Gerry Gable, Facilities Engineering and Architectural Services, Mr. Mark Kimball, Facilities Services, and Mr. Robert Trotta, Facilities Services.

To the best of our knowledge and belief, all steps in this selection were conducted in accordance with requirements of the State Building Commission as they apply to the institutions of the University of North Carolina.

This project is a continuation of ECU’s program to upgrade the residence bathrooms on campus.

If you have any questions or need additional information, please do not hesitate to call.

Cc: Bill Bagnell, AVC-Campus Operations
MEMORANDUM

TO: Mr. Kevin Seitz, Vice Chancellor
   Administration & Finance

FROM: Lloyd Nobles, Interim Director

DATE: September 9th, 2008

SUBJ: Designer Selection
   Fletcher Bathroom Renovation
   Code: 40736      Item: 320

The designer pre-selection committee after using a qualifications based criteria recommends the following three firms in prioritized order:

Clark Patterson Lee       Raleigh, NC
Davis Kane Architects     Raleigh, NC
EDA                      Morehead City, NC

The committee consisted of Mr. Gerry Gable, Facilities Engineering and Architectural Services, Mr. Mark Kimball, Facilities Services, and Mr. Aaron Lucier, Campus Living & Housing.

To the best of our knowledge and belief, all steps in this selection were conducted in accordance with requirements of the State Building Commission as they apply to the institutions of the University of North Carolina.

This project is a continuation of ECU's program to upgrade the residence bathrooms on campus.

If you have any questions or need additional information, please do not hesitate to call.

Cc: Bill Bagnell - AVC Campus Operations
<table>
<thead>
<tr>
<th>Session</th>
<th>Facilities and Resources Committee</th>
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</thead>
</table>
| Responsible Person       | Vice Chancellor for Administration and Finance  
                           | Kevin Seitz                        
                           | Associate Vice Chancellor for Campus Operations  
<pre><code>                       | Bill Bagnell                     |
</code></pre>
<p>| Agenda Item              | III. C.                            |
| Issue Description        | Croatan and Scott Residence Hall Elevations |
| Comments                 | Materials will be distributed at the Committee Meeting. |
| Action Requested         | Committee and Board Approval       |
| Disposition              |                                    |
| Notes                    |                                    |</p>
<table>
<thead>
<tr>
<th>Session</th>
<th>Facilities and Resources Committee</th>
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</thead>
</table>
| Responsible Person | Vice Chancellor for Administration and Finance  
|                   | Kevin Seitz                        |
|                   | Senior Vice President, First Southwest Company  
|                   | Janice Burke                       |
| Agenda Item       | III. D.                             |
| Issue Description | ECU Debt Management Guidelines      |
| Comments          | N/A                                 |
| Action Requested  | Information only; no action required. |
| Disposition       |                                     |
| Notes             |                                     |
East Carolina University

Debt Management Guidelines

East Carolina University
East Fifth St
Greenville, NC 27858-4353
252.328.6131
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East Carolina University

Debt Management Guidelines

I. Introduction

Purpose

To fulfill its mission, East Carolina University will need to make ongoing strategic capital investments for additional academic, student life, medical, athletic, and other plant facilities using an appropriate mix of funding sources including State bonds and appropriations, University bonds, internal reserves, and private giving.

The purpose of this debt policy is to ensure the appropriate mix of funding sources is used and to provide guidance on the strategic use of debt as a funding source. Debt is a valuable source of capital project financing and its use should be limited to projects that relate to the mission and strategic objectives of the University. The amount of debt incurred affects the financial health of the University and its credit rating. Debt provides a limited low cost source of funding for capital projects and, together with other limited resources, should be used and allocated appropriately and strategically.

This policy provides a discipline and framework that will be used by management to evaluate the appropriate use of debt in capital financing plans.

Objectives of the Debt Policy

The objectives stated below provide the framework by which decisions will be made regarding the use and management of debt. The debt policy and objectives are subject to re-evaluation and change over time.

This Debt Policy is set forth to:

1. Outline a process for identifying and prioritizing capital projects considered eligible for debt financing and assuring that debt-financed projects have a feasible plan of repayment. Projects that relate to the core mission and that have associated revenues will generally be given higher priority for debt financing.

2. Define the quantitative tests that will be used to evaluate the University’s overall financial health and present and future debt capacity.

3. Define project specific quantitative tests, as appropriate, that will be used to determine the financial feasibility of an individual project.
4. Manage the University’s debt to maintain an acceptable credit rating. The University, consistent with the capital objectives, will limit its overall debt to a level that will maintain an acceptable credit rating with bond rating agencies. Maintaining an acceptable credit rating will permit the University to continue to issue debt and finance capital projects at favorable interest rates, although the attainment or maintenance of a specific rating is not an objective of this policy.

5. Establish guidelines to limit the risk of the University’s debt portfolio. The University will manage debt on a portfolio basis, rather than on a transactional or project specific basis, and will use an appropriate mix of fixed and variable rate debt to achieve the lowest cost of capital while limiting exposure to market interest rate shifts. Various types of debt structures and instruments will be considered, monitored, and managed within the framework established in this policy and according to internal management procedures.

6. Assign responsibilities for the implementation and management of the University’s Debt Policy.

II. Process for Identifying and Prioritizing Capital Projects Requiring Debt

At the current credit rating the University has adequate but limited debt capacity. Additionally, the State of North Carolina adheres to limits on debt issuance provided in its adopted debt affordability policy and the University must compete with all other state agencies for capital projects bonding authority. Therefore it is essential that the University appropriately prioritize capital projects requiring debt.

Management will allocate the use of debt financing within the University to include prioritization of debt resources among all uses, including academic and student life projects, plant and equipment financing, and projects with University-wide impact.

The debt allocation matrix below depicts an approach to prioritizing capital projects requiring debt.

\[ \text{Not Critical/Self Supporting} \quad \text{Critical/Self Supporting} \\
\text{Quadrant 3} \quad \text{Quadrant 1} \\
\text{Not Critical/Not Self Supporting} \quad \text{Critical/Not Self Supporting} \\
\text{Quadrant 4} \quad \text{Quadrant 2} \]

Figure 1 Debt Allocation Matrix
Explanation of debt allocation matrix

Quadrant 1:
Project is critical to the core missions of research, service or instruction and has its own funding source (i.e., non-general fund supported).

Quadrant 2
Project is critical to the core missions of research, service or instruction but does not have its own funding source (i.e., will require-general fund support).

Quadrant 3
Project is not critical to the core missions of research, service or instruction but has its own funding source (i.e., non-general fund supported).

Quadrant 4
Project is not critical to the core missions of research, service or instruction and does not have its own funding source (i.e., will require general fund support).

Note that approval of projects in Quadrant 3 and 4 will reduce the ability to issue debt for the mission critical projects identified in Quadrants 1 and 2.

Guidelines for Prioritizing Capital Projects Requiring Debt

Management will use the following guidelines when prioritizing capital projects and making decisions about financing options and use of debt:

1. Only projects related to the mission of the University, directly or indirectly, will be eligible for debt financing.

2. State funding and philanthropy are expected to remain major sources of financing for the University’s capital projects. In assessing the possible use of debt, all other financing and revenue sources will be considered. State appropriations and bonds, philanthropy, project-generating revenues, research facilities and administration cost reimbursement, expendable reserves, and other sources are expected to finance a portion of the cost of a project. Debt is to be used conservatively and strategically.

3. The University will consider other funding opportunities (e.g., joint ventures, real estate development, etc.) when appropriate and advantageous to the University. Opportunities and financing sources will be evaluated within the context of the Debt Policy.

4. Federal research projects will receive priority consideration for debt financing due to partial reimbursement of operating expenses (including the interest component of applicable debt service) of research facilities.
5. Every project considered for financing must have a defined, supportable plan of costs (construction and incremental operating) approved by management. A project that has a related revenue stream or can create budgetary savings will receive priority consideration. However, projects may not receive a higher priority simply because they are self-supporting. For example, a project that mitigates life safety issues may be given preferences over a self supporting project.

III. Debt Ratios

The University will establish guidelines for overall debt management using a select number of ratios that are specific to the ability to issue debt and are key determinants used by the rating agencies in rating the University’s bonds. The ratios will be calculated and reported annually and when new debt is issued, and revised periodically to reflect any changes in accounting standards. This policy establishes limits to measure the total amount of outstanding debt compared to University balance-sheet resources and the annual operating budget. These ratios can be derived from the financial statements and are based on current GAAP requirements, including the GASB 34/35 reporting format and are consistent with ratios used in the higher education industry to permit benchmarking.

In addition to the two policy ratios below, The University may consider tracking other ratios; Listed below are the policy ratios and the limits that will be followed.

a. **Debt Burden Ratio** (Percentage) Measures the University’s ability to repay annual principal and interest associated with all outstanding debt and its effect on the overall budget. The defined limit for this ratio is intended to maintain the University’s long-term operating flexibility to fund existing requirements and new initiatives, although the University may target a desired ratio below this limit.

\[
\frac{\text{Annual Debt Service}}{\text{Total Expenses}} < 4\%
\]

The measure is based on aggregate operating expenses as opposed to operating revenues because expenses typically are more stable. Management recognizes that a growing expense base would make this ratio appear more attractive. The limit for this ratio is not to be greater than 4%. If more than 4% of the University’s budget were committed to debt service expense, flexibility to devote resources to fund other objectives could be diminished. The ratio will be adjusted to include the impact of non-amortizing debt or non-traditional debt structures that could result in significant single year fluctuations, as well as an assumption of an appropriate variable rate.
b. **Viability Ratio** (times coverage) This ratio indicates one of the most basic determinants of financial health by measuring the availability of liquid and expendable net assets compared to aggregate debt. The ratio measures the medium to long-term health of the University’s balance sheet and debt capacity and is a critical component of universities with the highest credit quality. Many factors influence the viability ratio, affecting both the assets (e.g., investment performance, philanthropy) and liabilities (e.g., timing of bond issues), and therefore the ratio is best examined in the context of changing market conditions so that it accurately reflects relative financial strength. For example, a viability ratio that is acceptable and entirely appropriate in one market condition may be relatively stronger or weaker in other market environments. This policy establishes a debt policy limit (floor) for this ratio of 1.0x to ensure that sufficient balance sheet strength is maintained at all times.

\[
\frac{\text{UNRESTRICTED AND EXPENDABLE NET ASSETS}}{\text{TOTAL DEBT}} > 1.0x
\]

It should be noted that in the case of a public university, the balance sheet item Unrestricted Net Assets does not and should not include amounts labeled as “net investment in plant” or “invested in capital assets, net of related debt”. Expendable net assets include “Restricted – Expendable” net assets.

This ratio will include any financings that affect the University credit, including guarantees of third-party debt. The 1.0x limit is recognized as a limit, and not a long-term objective. Over time, to remain competitive and retain the flexibility to invest in future strategic initiatives, ECU will want to target and maintain a ratio above 1.0x.

**IV. Project Specific Quantitative Tests**

Consideration of the ratios calculated above will determine the ability and/or advisability of issuing additional debt from a University-wide perspective. Determination of the prioritization of individual projects to be allocated a portion of available debt capacity is a separate, internal decision that must be made before a project is initiated.

Many factors will influence this internal decision process. First and foremost will be how the project is prioritized with regard to mission criticality as described by the debt allocation matrix (four quadrant model) above. Although debt will be structured to meet the University’s comprehensive long-term objectives, each project being financed will be required to provide a sound business plan, including the source of repayment for the debt and appropriate and realistic repayment terms. Among other things, the repayment terms will require that the loan term is no greater than the expected useful life of the asset financed. Additionally, every project considered for debt financing must have a management approved plan of project costs, including
incremental operating expenses and revenues. Incremental revenues include revenue increases directly associated with the project (e.g., usage fees) that can only be realized if the project is undertaken. Similarly, incremental expenses include any increase in expected operating costs associated with the project. Revenues and cost savings should be estimated conservatively, especially for high-risk projects.

V. General Debt Management Guidelines

Methods of Sale

The University will use the method of sale that will achieve the lowest cost of capital considering the complexity of the transaction. This can be achieved by using either a competitive or negotiated sale method for the placement of bond offerings. For transactions using new or non-traditional pledges of University revenues, or those involving greater complexity, a negotiated method of sale will be considered, and legislative approval requested, on an individual transaction basis. Bonds may also be sold through a private or limited placement, but only if it is determined that a public offering through either a competitive or negotiated sale is not in the best interests of the university.

Selection of Financial Advisors, Underwriters and Bond Counsel

The University will use a request for proposal process to select Financial Advisors, Underwriters and Bond Counsel. Firms selected to provide financial advisory and bond counsel services will be under contract for a period of not less than three (3) years. Underwriting firms will be selected on individual transactions and will be selected based upon expertise related to the specific transaction. Additionally, the University may use the Financial Advisors, Underwriters and Bond Counsel selected by General Administration through its own similar competitive process.

Structure and Maturity

Generally, debt should be structured on a level debt basis, i.e., so that the annual debt service repayments will, as nearly as practicable, be the same in each year. A deviation from these preferences is permissible if it can be demonstrated to be in the university’s best interest, such as restructuring debt to avoid a default. On projects that are designed to be self sufficient, the debt service may be structured to match future anticipated receipts.

The University will issue bonds to finance capital projects under the provisions of trust indentures approved by the Board of Trustees.

Debt in the form of capitalized lease obligations will be approved by the Board of Trustees and issued on behalf of the University by the ECU Real Estate Foundation, and other financing entities.
The University will employ maturity structures that correspond with the life of the facilities financed, generally not to exceed 30 years. Buildings and other major capital projects may be financed for a period up to the lesser of the project’s estimated useful life or 30 years. Equipment will be financed for a period up to 120% of its useful life. As market dynamics change, maturity structures should be reevaluated. Call features should be structured to provide the highest degree of flexibility relative to cost.

**Variable Rate Debt**

A degree of exposure to variable interest rates within the University’s debt portfolio may be desirable in order to:

(i) take advantage of repayment/restructuring flexibility; and

(ii) benefit from historically lower average interest costs; and

(iii) diversify the debt portfolio; and,

(iv) provide a hedge to short-term working capital balances.

Management will monitor overall interest rate exposure, analyze and quantify potential risks, and coordinate appropriate fixed/variable allocation strategies.

Recognizing the desire to manage interest rate risk, the amount of variable rate debt outstanding shall not exceed 35% of the University’s outstanding debt. This limit is based on (i) the University’s desire to limit annual variances in its debt portfolio, (ii) provide sufficient structuring flexibility to management, (iii) keep the University’s variable rate allocation within acceptable external parameters, and (iv) use variable rate debt (and/or swaps) to optimize debt portfolio allocation and minimize costs.

<table>
<thead>
<tr>
<th>VARIABLE RATE AND LIQUIDITY EXPOSURE</th>
<th>TOTAL LONG-TERM DEBT OUTSTANDING</th>
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<td></td>
<td>&lt; 35%</td>
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**Budgetary controls for variable rate debt:** To avoid a situation in which debt service on variable rate bonds exceeds the annual amount budgeted, the following guidelines should be followed in establishing a variable rate debt service budget:

i) A principal amortization schedule should be established, with provision made for payment of amortization installments in each respective annual budget;

ii) Provide for payment of interest for each budget year using an assumed budgetary interest rate that allows for fluctuations in interest rates on the bonds without exceeding the amount budgeted. The budgetary interest rate may be established by:

    (1) using an artificially high interest rate given current market conditions; or (2) setting the rate based on the last 12 months actual rates of an appropriate index plus a 200 basis
point cushion or spread to anticipate interest rate fluctuations during the budget year. The spread should be determined by considering the historical volatility of short-term interest rates, the dollar effect on the budget and current economic conditions and forecasts; or, (3) any other reasonable method determined by the university

iii) The amount of debt service incurred in each budget year should be monitored monthly by the university to detect any significant deviations from the annual budgeted debt service. Any deviations in interest rates that might lead to a budgetary problem should be addressed immediately; and

iv) As part of the effort to monitor actual variable rate debt service in relation to the budgeted amounts and external benchmarks, the university should establish a system to monitor the performance of any service provider whose role it is to periodically reset the interest rates on the debt, i.e., the remarketing agent or auction agent.

**Variable interest rate ceiling:** The bond documents should include an interest rate ceiling no greater than 12%.

**Liquidity:** One of the features typical of variable rate debt instruments is the bondholder’s right to require the issuer to repurchase the debt at various times and under certain conditions. This, in theory, could force the issuer to repurchase large amounts of its variable rate debt on short notice, requiring access to large amounts of liquid assets. Issuers that do not have large amounts of liquid assets may establish a liquidity facility with a financial institution that will provide the money needed to satisfy the repurchase. The liquidity provider should have a rating of A1/P1 or higher. The liquidity agreement does not typically run for the life of long-term debt. Accordingly, there is a risk that the provider will not renew the agreement or that it could be renewed only at substantially higher cost. Similar issues may arise if the liquidity provider encounters credit problems or an event occurs that results in early termination of the liquidity arrangement; in either case the issuer must arrange for a replacement liquidity facility.

**Swaps:** Should the University participate in the use of Swaps, it must do so in agreement with the Board of Governors of the University of North Carolina “Swap Policy for Constituent Institutions”, as shown in Appendix A.

**Taxable Debt**

While all the University’s capital projects may not qualify for tax-exempt debt, taxable debt should be used only in appropriate cases as it generally represents a more expensive source of capital relative to tax-exempt issuance. Issuing taxable debt reduces the University’s overall debt affordability due to higher associated interest expense. When utilized, taxable debt will be structured to provide maximum repayment flexibility and rapid principal amortization.
Capitalized Interest

Capitalized interest from bond proceeds is used to pay debt service until a revenue producing project is completed or to manage cash flows for debt service in special circumstances. Because the use of capitalized interest increases the cost of the financing, it should only be used when necessary for the financial feasibility of the project. In revenue-producing transactions, the University will attempt to structure debt service payments to match the revenue structure in order to minimize the use of capitalized interest.

Credit Enhancement

Credit enhancement is used primarily to achieve interest cost savings. Accordingly, the university should consider the cost effectiveness of bond insurance or other credit enhancements when evaluating a debt issuance and the overall cost thereof. Any bond insurance or credit enhancement should be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings to result from their use. The primary determinant in selecting insurance or other credit enhancement should be price and expected interest cost savings; however, consideration may also be given to the terms of any arrangement with the provider of insurance or other credit enhancement.

Credit Ratings

The University will maintain ongoing communication and interaction with bond rating agencies, striving to educate the agencies about the general credit structure and financial performance of the University in order to attain the highest credit rating possible.

Refunding Targets

Generally, refunding bonds are issued to achieve debt service savings by redeeming high interest rate debt with lower interest rate debt. Refunding bonds may also be issued to restructure debt or modify covenants contained in the bond documents. Current tax law limits to one time the issuance of tax-exempt advance refunding bonds to refinance bonds issued after 1986. There is no similar limitation for tax-exempt current refunding bonds. The University will continuously monitor its outstanding tax-exempt debt portfolio for refunding and/or restructuring opportunities. The following guidelines should apply to the issuance of refunding bonds, unless circumstances warrant a deviation there from:

a) Refunding bonds should generally be structured to achieve level annual debt service savings.

b) The life of the refunding bonds should not exceed the remaining life of the bonds being refunded.

c) Advance refunding bonds issued to achieve debt service savings should have a minimum target savings level measured on a present value basis equal to 2-3% of the
par amount of the bonds being advance refunded. The 2-3% minimum target savings level for advance refundings should be used as a general guide to guard against prematurely using the one advance refunding opportunity for post-1986 bond issues. However, because of the numerous considerations involved in the sale of advance refunding bonds, the target should not prohibit advance refundings when the circumstances justify a deviation from the guideline.

d) Refunding bonds that do not achieve debt service savings may be issued to restructure debt or provisions of bond documents if such refunding serves a compelling university interest.

For current refundings, the University will consider transactions that, in general, produce present value savings (based on refunded bonds). A refunding will also be considered if it relieves the University of certain limitations, covenants, payment obligations or reserve requirements that reduce flexibility. The University will also consider refinancing certain obligations within a new money offering even if savings levels are minimal in order to consolidate debt into a general revenue pledge, and/or reduce the administrative burden and cost of managing many small outstanding obligations.

VI. Disclosure

Primary Disclosure

The University shall use best practices in preparing disclosure documents in connection with the public offer and sale of debt so that accurate and complete financial and operating information needed by the markets to assess the credit quality and risks of each particular debt issue is provided.

The disclosure recommendations of the Government Finance Officers Association’s “Disclosure for State and Local Governments Securities,” and the National Federation of Municipal Analysts’ “Recommended Best Practices in Disclosure for Private Colleges and Universities” should be followed to the extent practicable, specifically including the recommendation that financial statements be prepared and presented according to generally accepted accounting principles.

Secondary Disclosure

The University will continue to meet its ongoing disclosure requirements as required under Rule 15c2-12 of the Securities and Exchange Commission. The University will submit financial reports, statistical data, and any other material events as required under outstanding bond indentures.
VII. Tax-Exempt Debt - Post Issuance Considerations

Bond Proceeds Investment

The University will invest bond-funded construction funds, capitalized interest funds, and costs of issuance funds appropriately to achieve the highest return available under arbitrage limitations. When sizing bond transactions, the University will consider funding on either a net or gross basis.

Arbitrage

The University will comply with federal arbitrage requirements on invested tax-exempt bond proceeds, causing arbitrage rebate calculations to be performed annually and rebate payments to be remitted to the IRS periodically as required.

Private Use and Gifts

The University will monitor all arrangements with third parties to use bond-financed property, including the federal government and other colleges and universities, in order to ensure the tax-exempt status of the related debt. The University will monitor any sales of bond-financed property, and any lease management contracts, research arrangements and naming rights agreements to the extent such arrangements impact bond-financed property, and will work closely with bond counsel in determining events/actions that may cause a bond issue to become taxable. The University will also work with the bond counsel to train University personnel in these matters. In order to track arrangements that could potentially result in a loss of tax-exempt status of University debt, a record of financed facilities, including facilities financed by the State will be maintained.

The University will track gifts which are restricted to facilities financed, or to be financed with tax-exempt debt and will work with bond counsel to ensure that such gifts are used in a manner that complies with federal tax law limitations.

VIII. Responsibility

Assignment of Responsibilities

The Vice Chancellor for Administration and Finance is directly responsible for capital debt management.

Facilities Planning and Facilities Management

The Associate Vice Chancellor for Campus Operations will take the lead role in estimating and defining project costs and in maintaining a list of projects that are being considered. The Associate Vice Chancellor for Campus Operations will take the lead role in developing capital planning documents for the current year, current biennium and the capital plan.
Treasury Management

The Financial Director will maintain a schedule of current and forecasted debt and associated payment of principal, interest and fees. The Associate Vice Chancellor for Financial Services is responsible for the administration of all aspects of debt financing, including accounting, and contracting with financial advisors, underwriters and bond counsel to issue new debt or refinance existing debt.

Management

The Debt/Capital Committee will meet on a regular basis to review the projects being considered and the various financing options available. They will discuss options and recommend a priority order. The Vice Chancellor for Administration and Finance will present the recommendations of this group to the Executive Council, the Chancellor, and the Board of Trustees.

Board of Trustees

The Board of Trustees will consider for approval in accordance with State law each special obligation project of the University. The Board of Trustees will consider and approve this Debt Policy and any proposed changes to it.

Review of Debt Policy/Oversight

Because this debt policy is a living document, the Executive Council will review this policy at least annually and change as needed to reflect changing conditions and practices. However, it is noted that consistent application of the University’s debt policy provides evidence of debt management discipline over the long term. This review process is necessary to ensure that the policy remains consistent with the University’s objectives/debt philosophy and responsive to evolving practices. In addition, the Debt/Capital Committee will hold regular meetings in order to review short and intermediate term financing needs, market opportunities, and financial performance. This regular review will help the University determine appropriate financial decisions as well as review capital investments and the timing of financing plans responsive to market conditions.
Glossary

**Annual debt service** – the principal and interest due on long-term debt in a fiscal year.

**Bridge financing** – any type of financing used to “bridge” a period of time. For universities, it generally refers to financings that provide funding in advance of a long-term bond issue or the receipt of gift funding.

**Capital project** – physical facilities or equipment or software that may be capitalized.

**GAAP** – Generally Accepted Accounting Principles.

**GASB 34/35** – Government Accounting Standards Board Statement Nos. 34 and 35. These statements dramatically changed the reporting format for the University effective Fiscal 2002 by consolidating fund balances into net assets and consolidating university-wide activity instead of distinct fund groups. The Statements also require a statement of cash flows and a change in representation of state appropriation and investment income.

**Leverage** – long-term debt as a component of the total assets of the University. “High leverage” indicates an institution that has a considerable portion of its assets that are debt financed.

**Competitive sale** – A sale of municipal securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. The securities are won and purchased by the underwriter or syndicate of underwriters who submit the best bid according to guidelines in the notice of sale.

**Negotiated sale** – In a negotiated underwriting the sale of bonds is by negotiation and agreement with an underwriter or underwriting syndicate selected by the issuer before the moment of sale. This is in contrast to a competitive or an advertised sale.

**Advance refunding** – A financing structure under which new bonds are issued to repay an outstanding bond issue more than ninety (90) days from the date of issuance of the new issue. Generally, the proceeds of the new issue are invested in government securities, which are placed in escrow. The interest and principal repayments on these securities are then used to repay the old issue, usually on the first call date. Advance refundings are done to save interest, extend the maturity of the debt or change existing restrictive covenants.

**Current refunding** – Sale of a new issue, the proceeds of which are to be used, within ninety (90) days, to retire an outstanding issue by, essentially, replacing the outstanding issues with the new issue. Current refundings are done to save interest cost, extend the maturity of the debt, or change existing restrictive covenants.

**Primary disclosure** – SEC Rule 15c2-12 obligates underwriters participating in primary (new) offerings of municipal securities (of $1,000,000 or more; are sold to more than 35 people; and
have a maturity greater than 9 months) to obtain, review, and distribute to investors copies of the issuer’s official statement. The requirements of the rule are as follows:

1. Prior to bidding on or purchasing an issue, the underwriter is required to "obtain and review" an official statement that is deemed final by the issuer as of its date.
2. In a negotiated underwriting, the underwriter must distribute preliminary official statements, if one has been prepared by the issuer, not later than the next business day, to potential customers upon request.
3. The underwriter must send paper copies of the official statement to all broker-dealers that purchase the new issue.
4. The underwriter must provide a copy of the final official statement, upon request, to any potential customer for designated time periods following an underwriting of a new issue.

Secondary disclosure - At the time bonds are offered, the issuer must outline the type of Annual Financial Information it will provide annually and the terms of its continuing disclosure agreement. Issuers are also required to provide to each NRMSIR or Municipal Securities Rulemaking Board, in a timely manner, of the following “material events” that normally reflect the credit supporting municipal securities.

The eleven “material events” are as follows:
1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves;
4. Unscheduled draws on credit enhancement;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes.
<table>
<thead>
<tr>
<th>Date [Actual Dates to Be Inserted]</th>
<th>Event</th>
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<tr>
<td>Month 1</td>
<td>Develop/Review financial projections for available revenues to repay debt service</td>
<td>ECU/FA</td>
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<tr>
<td>Month 1</td>
<td>Schedule conference call with UNC-GA staff to discuss the proposed financing and schedule</td>
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<td>Month 1</td>
<td>Select underwriting team</td>
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<tr>
<td>Month 2</td>
<td>Organizational conference call with the working group to review the plan of finance and the financing schedule</td>
<td>WG</td>
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<td>Month 2</td>
<td>Board of Trustees approval</td>
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<tr>
<td>Month 2</td>
<td>Underwriters Counsel and Bond Counsel receive disclosure/due diligence information from ECU</td>
<td>ECU</td>
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<td>Month 2</td>
<td>Distribute Preliminary Official Statement and legal documents to working group</td>
<td>BC/UC</td>
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<tr>
<td>Month 3</td>
<td>Document review meeting/conference call</td>
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<tr>
<td>Month 3</td>
<td>Distribute 2\textsuperscript{nd} draft of legal documents and POS</td>
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<td>Month 3</td>
<td>Board of Governors resolution to General Administration</td>
<td>BC</td>
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<tr>
<td>Month 3</td>
<td>Conference call to review 2\textsuperscript{nd} draft of documents</td>
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<td>Month 3</td>
<td>Distribute information package to Rating Agencies/ Bond Insurers</td>
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<td>Month 4</td>
<td>Board of Governors Finance Committee approval</td>
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<tr>
<td>Month 4</td>
<td>Board of Governors approval</td>
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<tr>
<td>Month 4</td>
<td>Rating Agency/Insurer visits or conference calls</td>
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<td>Month 4</td>
<td>Receive Bond Insurance bids and select Bond Insurer</td>
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<td>Receive Ratings</td>
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<td>Month 5</td>
<td>Distribute Preliminary Official Statement</td>
<td>UC</td>
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<tr>
<td>Month 5</td>
<td>Bond Sale</td>
<td>ECU, FA, U</td>
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<tr>
<td>Month 5</td>
<td>Sign Bond Purchase Agreement</td>
<td>U, ECU</td>
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<td>Month 5</td>
<td>Distribute Final Official Statement</td>
<td>U; UC</td>
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<td>Pre-closing</td>
<td>WG</td>
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**Key**

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<td>WG</td>
<td>Working Group</td>
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East Carolina University
Debt Management Guidelines

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Appendix A

BOARD OF GOVERNORS OF THE UNIVERSITY OF NORTH CAROLINA

SWAP POLICY FOR CONSTITUENT INSTITUTIONS

This policy will govern the use by the constituent institutions of the University of North Carolina System of Swap Agreements.

DEFINITIONS

“Chief Financial Officer” means the person from time to time serving as the responsible financial person for a Constituent Institution.

“Constituent Institution” means one of the constituent institutions of the University of North Carolina System listed in Section 116-4 of the North Carolina General Statutes, as amended.

“Swap Agreement” mean a written contract entered into in connection with the debt issued or to be issued by or on behalf of a Constituent Institution in the form of a rate swap agreement, basis swap agreement, forward rate agreement, interest rate option agreement, rate cap agreement, rate floor agreement, rate collar agreement, or other similar agreement, including any option to enter into or terminate any of the foregoing or any combination of such agreements.

THE CONDITIONS UNDER WHICH SWAP AGREEMENTS MAY BE ENTERED INTO

Purposes

A Constituent Institution may use a Swap Agreement for the following purposes only:

(a) To achieve significant savings as compared to a product available in the debt market.

(b) To enhance investment returns within prudent risk guidelines.

(c) To prudently hedge risk in the context of a particular financing or the overall asset/liability management of the Constituent Institution.

(d) To incur variable rate exposure, such as selling interest rate caps or entering into a swap in which the Constituent Institution’s payment obligation is floating rate.

(e) To achieve more flexibility in meeting the Constituent Institution’s overall financial objectives than can be achieved in conventional markets.

Legality. The Board must receive an opinion acceptable to the market from a nationally recognized bond counsel law firm acceptable to the Chief Financial Officer of the Constituent Institution that the Swap Agreement is a legal, valid and binding obligation of the Board and entering into the transaction complies with applicable law.
SPECULATION

A Constituent Institution may not use a Swap Agreement for speculative purposes. Associated risks will be prudent risks that are appropriate for the Constituent Institution to take.

ASPECTS OF RISK EXPOSURE ASSOCIATED WITH A SWAP AGREEMENT

Before entering into a Swap Agreement, the Constituent Institution shall evaluate all the risks inherent in the transaction. These risks to be evaluated could include counterparty risk, termination risk, rollover risk, basis risk, tax event risk and amortization risk.

The Constituent Institution shall endeavor to diversify its exposure to counterparties. To that end, before entering into a transaction, it should determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure should not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Constituent Institution’s exposure.

COUNTERPARTY SELECTION CRITERIA

The Constituent Institution may enter into a Swap Agreement if the counterparty has at least two long term unsecured credit ratings in the double A category from Fitch Ratings, Moody’s, or S&P and the counterparty has demonstrated experience in successfully executing a Swap Agreement. The Constituent Institution may enter into a Swap Agreement if the counterparty has at least two long term unsecured credit ratings in the single A category or better from Fitch Ratings, Moody’s, or S&P only if (a) the counterparty either provides a guarantor or assigns the agreement to a party meeting the rating criteria in the preceding sentence or (b) the counterparty (or guarantor) collateralizes the Swap Agreement in accordance with the criteria set forth in this Policy and the transaction documents.

If the rating of the counterparty, or if secured, the entity unconditionally guaranteeing its payment obligations not satisfy the requirements of the Counterparty Selection Criteria, then the obligations of the counterparty must be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America and such collateral must be deposited with financial institution serving as a custodial agent for the Constituent Institution.

METHODS BY WHICH A SWAP AGREEMENT IS TO BE PROCURED

Negotiated Method. A Constituent Institution may procure a Swap Agreement by a negotiated method under any of the following conditions:

(a) (1) If the Chief Financial Officer of the Constituent Institution makes a determination that, due to the size or complexity of a particular swap, a negotiated transaction would result in the most favorable pricing and terms; or

(2) If a derivative embedded within a refunding issue is proposed and meets the Constituent Institution’s savings target; and

(b) If the Constituent Institution receives a certification from an independent financial institution or financial advisor that the terms and conditions of the Swap Agreement provides the Constituent Institution a fair
market value as of the date of its execution in light of the facts and circumstances.

**Competitive Method.** A Constituent Institution may also procure a Swap Agreement by competitive bidding. The competitive bid can limit the number of firms solicited to no fewer than three. The Constituent Institution may determine which parties it will allow to participate in a competitive transaction. In situations in which the Constituent Institution would like to achieve diversification of counterparty exposure, the Constituent Institution may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid. The parameters for the bid must be disclosed in writing to all potential bidders.

**LONG-TERM IMPLICATIONS**

In evaluating a particular transaction involving the use of Swap Agreement, the Constituent Institution shall review long-term implications associated with entering into the Swap Agreement, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund related debt obligations and other similar considerations.
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Kevin Seitz |
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| Issue Description | Capital Budget Update            |
| Comments      | N/A                              |
| Action Requested | Information only; no action required. |
| Disposition   |                                  |
| Notes         |                                  |</p>
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|                  | Kevin Seitz                       |
|                  | Associate Vice Chancellor for Campus Operations  
|                  | Bill Bagnell                      |
| Agenda Item      | III. G.                           |
| Issue Description| Wright Fountain Update            |
| Comments         | N/A                               |
| Action Requested | Information only; no action required. |
| Disposition      |                                   |
| Notes            |                                   |