

January 24, 2019

Mr. Maurice Jones, Town Manager
Mr. Ralph D. Karpinos, Town Attorney
Town of Chapel Hill
405 Martin Luther King Jr. Blvd.
Chapel Hill, North Carolina 27514

**Public Finance Authority Educational Facilities Revenue Bonds
(Rams Club Projects) Series 2019**

Dear Mr. Jones and Mr. Karpinos:

I am writing you on behalf of The Educational Foundation, Inc., a North Carolina nonprofit corporation better known as the Rams Club, is a 501(c)(3) charitable organization whose mission is to “provide assistance to the University of North Carolina at Chapel Hill for the following: To offer financial aid to worthy young men and women seeking an education at the University of North Carolina at Chapel Hill, and to support University programs by providing services and funds for the construction of facilities or purchase of equipment.” As part of that mission, the Rams Club raises money to fund athletic facilities at the University and constructs those facilities on land that is owned by the University and leased to the Rams Club during the construction period. The Rams Club often borrows money to pay construction costs and to bridge pledges, which usually come in over a period of years.

In recent years, the Rams Club has undertaken the construction of a number of facilities for the University, most of which are complete or almost complete. They include the Indoor Practice Facility for the football team and adjacent outdoor practice fields; renovation of the Soccer/Lacrosse Stadium; construction of a new Field Hockey Stadium; renovation of the Smith Center locker rooms; construction of a new track complex located at Finley Fields which includes four outdoor practice fields; renovation of the Boshamer Stadium visiting team locker room; and re-sodding of the Kenan Stadium Turf (collectively, the “Projects”). The Rams Club has obtained interim construction financing from Branch Banking and Trust Company (“BB&T”) to pay construction costs, and now wishes to convert the interim financing to permanent financing through the issuance of tax-exempt bonds which will be purchased by BB&T.

Federal tax law permits nonprofit entities with a 501(c)(3) letter to finance capital projects that further their 501(c)(3) mission on a tax-exempt basis, thus lowering the borrowing costs for those entities. The Public Finance Authority, a nationwide issuer formed in Wisconsin (the “Authority”) proposes to issue its Educational Facilities Revenue Bonds (The Educational Foundation, Inc.), Series 2019 in a principal amount not to exceed \$98,000,000 (the “Bonds”) to finance and refinance the Projects. The Bonds are expected to be issued in the first quarter of 2019 and upon approval will be immediately purchased in full by BB&T. Both federal tax law and the statute under which the Authority was created require that tax-exempt bonds issued to finance facilities for a 501(c)(3) organization be approved, among others, by the elected legislative body of the governmental unit that has jurisdiction over the area in which the facilities are located after holding a public hearing (Internal Revenue Code Section 147(f)). The Projects are located in the Town of Chapel Hill (the “Town”).

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It is important to note that the Rams Club will have sole responsibility for the repayment of the principal, premium, if any, and interest on the Bonds, and BB&T is relying solely on the credit strength of the Rams Club in purchasing the Bonds. **Neither the Authority nor the Town will have any liability whatsoever for the payment of principal or interest on the Bonds, and the Bonds will not affect the Town's debt ratios or legal debt limit.** Language in the approval resolution we are requesting, which is attached, explicitly states that it shall in no event constitute an endorsement of the Bonds or the Projects or the creditworthiness of the Borrower.

I have enclosed the proposed form of public notice, the resolution to be adopted by the Town Council, and an agenda item in case that is helpful. We are requesting that the Town consider calling for the public hearing as part of its consent agenda at its meeting on January 30. If it is approved, we will proceed to publish the notice of the public hearing in the *Durham Herald* on February 1, for the meeting on February 13. Representatives of both McGuireWoods and the Rams Club will be at meeting on February 13 in case there are any questions.

Please let me know what else I can provide; I look forward to hearing from you.

Very truly yours,



Mary Nash Rusher

Cc: Diane Aldridge, CFO and General Counsel, The Rams Club
Robert Jessup, Bond Counsel to the Town