

EXHIBIT A
August 1, 2007

FUNDING PLAN REVIEW PROCESS AND RELATED CONSIDERATIONS

University Projects

Funding plans for all new University Capital Improvement Projects with total costs in excess of \$300,000 must be reviewed by the Facilities Working Group and approved by the Facilities Planning Committee in advance of submitting the project to the Board of Governors and the General Assembly for approval. All new projects will be submitted to the Facilities Working Group on the attached project budget forms. Prior to submission for review by the Facilities Working Group, project budgets and forms will be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. New projects are to be presented at a Facilities Working Group meeting by the appropriate department representative.

Any increases to the originally approved funding plan are to be reviewed by the Facilities Working Group and approved by the Facilities Planning Committee, the Board of Governors, and the General Assembly (or the Office of State Budget, as outlined in "The University of North Carolina at Chapel Hill Capital Improvement Projects Development and Approval Process" document) prior to any committed change in the scope of work of the project, including a change order.*

If the increase in the funding plan is greater than 10%, the proposed change needs to be represented on the attached templates. Project budgets and forms will be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. Proposed changes are to be presented at a Facilities Working Group meeting by the appropriate department representative.

If the change in the funding plan is less than 10%, the proposed change may not need to be represented on the attached templates. The proposed budget change does need to be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. The Capital Budgeting Committee will determine if the change to the funding plan needs to be presented to the Facilities Working Group.

Foundation Projects

Funding plans for all new Foundation Capital Improvement Projects with total costs in excess of \$300,000 must be reviewed by the Facilities Working Group and approved by the Facilities Planning Committee prior to the start of construction. All new projects will be submitted to the Facilities Working Group on the attached project budget forms. Prior to submission for review by the Facilities Working Group, project budgets and forms will be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. New projects are to be presented at a Facilities Working Group meeting by the appropriate Foundation representative.

Any increases to the originally approved funding plan are to be reviewed by the Facilities Working Group prior to any committed change in the scope of work of the project, including a change order.

**Note: For funding plan increases in which the marginal increase is to be funded by University-issued, self-liquidating debt, the increase must be legislated by the General Assembly, as opposed to approved by the Office of State Budget and Management, even if the increase is less than 10% of the originally approved project.*

If the change in the funding plan is greater than 10%, the proposed change needs to be represented on the attached templates. Project budgets and forms will be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. Proposed changes are to be presented at a Facilities Working Group meeting by the appropriate Foundation representative.

If the change in the funding plan is less than 10%, the proposed change may not need to be represented on the attached templates. The proposed budget change does need to be submitted to the Capital Program Controller and will be reviewed by the Capital Budgeting Committee. The Capital Budgeting Committee will determine if the change to the funding plan needs to be presented to the Facilities Working Group.

Foundation Projects – Acquisition of Debt

A Minor Associated Foundation (as defined as a Foundation with annual expenditures less than \$100,000) may not acquire debt in excess of \$100,000 that is not to be publicly traded without first notifying the President of the UNC System (“President”) or the Chancellor and then consulting with the Vice President of Finance for the UNC System (“Vice President”). A Major Associated Foundation (as defined as a Foundation with annual expenditures of more than \$100,000) may not acquire debt in excess of \$500,000 that is not to be publicly traded without first notifying the President or the Chancellor and then consulting with the Vice President. In determining the level of scrutiny to give to the proposed transaction, the Vice President shall take into account the amount of the debt in relationship to the Foundation’s assets and income and the extent of the experience of the Foundation’s experience in entering similar debt transactions. A Foundation that issues debt to construct facilities for the University must provide a financial or construction audit to the Vice President at the Vice President’s request or to the Board of Trustees of the University at the request of the Chair of the Board of Trustees.

Fundraising

Any department or school funding a construction project totally or partially through fundraising initiatives must collect 100% of the budgeted amount in cash before the construction project will be awarded. The cash supporting the pledges should be collected as far in advance of the construction start date as possible so that interest earned on the cash may partially shield against the inflationary costs of construction.

An exception may be granted by the Facilities Planning Committee if the following three conditions have been met: (1) the unit has collected at least 85% of the cash that the pledges represent before the construction is scheduled to begin, (2) the balance either exists in the form of pledges and/or prospective pledges that will be collected before the end of construction period, and (3) the Development Office confirms that the outstanding pledges and/or prospective pledges will be collected during the construction period.

In the event that a project begins before the budgeted fundraising is collected, if central monies have to be used to pay invoices until pledges are collected (“internal loan”), and if the internal loan is not repaid by the end of construction, interest will be charged to the project on the outstanding balance of the internal loan. For information on interest rates on these internal loans, please call the Director of Treasury Operations.