

OFFICIAL MINUTES

MINUTES

SPECIAL MEETING OF THE BOARD OF REGENTS

University of Washington

August 28, 2006

The Board of Regents held a special meeting on Monday, August 28, 2006, beginning at 11:00 a.m. in the Room 301, Gerberding Hall. The notice of the meeting was appropriately provided to the public and the press.

CALL TO ORDER

ROLL CALL

Assistant Secretary Keith called the roll: Present were Regents Jewell (presiding), Barer, Cole, Kiga, Proctor, Simon, and Yapp; Regents Brotman, Gates and Faubion were present via conference telephone; Dr. Wise, Mr. White and Professor Stygall; Dr. Emmert was present via conference telephone.

Absent: Ms. Warren and ex-officio representatives Ms. Friese and Mr. Blodgett

CONFIRM AGENDA

The Agenda was confirmed as presented.

ACQUISITION AND FINANCING OF REAL ESTATE (Discussion and Action)

Regent Jewell said the University of Washington has the historic opportunity in the future of the University to acquire the Safeco real estate properties. She directed the Board's attention to the handout and Exhibit 1 which detailed the calendar of major activities leading up to the proposed purchase, which also displayed future activities (see Attachment). She noted the Board of Regents recently met three times in Executive Sessions to review the terms of the agreement, to assess the economics of the potential purchase and to make recommendations. Those with whom the Board consulted included the Higher Education Coordinating Board, Governor Gregoire, and state legislators. Regent Jewell indicated the Board would be very proud to add this real estate to the University portfolio. She also noted that she and Regent Fred Kiga represented the Regents in a more in-depth review of the Purchase and Sale Agreement and thanked the entire Board for the time and effort they devoted to this extraordinary purchase proposal, especially during the summer months.

President Emmert said this purchase allows the University to relocate administrative units on central campus which will free up space for teaching and research and also bring programs that are now spread over the greater Seattle area closer to campus. Dr. Emmert noted the purchase and occupation by the University will promote the further revitalization of the University District. He complimented Vice Provost Harlan Patterson and the team with whom Mr. Patterson had worked for their quick assessment of the value of the property and proposed purchase options. He said he couldn't be more supportive of this proposal and that he was pleased that the proposed acquisition had reached this point.

Vice Provost Harlan Patterson then spoke to the Board about the Property Summary Table (Exhibit 2 in the Attachment) and the Preliminary Acquisition Valuation authored by Trinity Real Estate (see Attachment, page 5).

The debt financing was covered by Mr. Christopher W. Malins, UW Senior Associate Treasurer. The acquisition of the properties will be financed in the short term through University of Washington issued Commercial Paper. Mr. Malins reminded the Board that the overall Commercial Paper program was approved by the Board at its July 2006 meeting. He noted that Commercial Paper is the lowest cost way to finance this transaction until permanent financing can be issued. At the end of the biennium, the Commercial Paper will be paid off by either University of Washington issued General Revenue bonds or by a nonprofit through a 63-20 lease backed transaction. The University can currently only borrow for academic and administrative purposes if the debt is paid back within a biennium and therefore it needs to be paid back by June 30, 2007. The permanent financing depends on the outcome of the 2007 Legislative Session. The University's preference is to issue UW backed General Revenue bonds which are the cheapest but the fallback position is a lease backed transaction through 63-20 which the University has had a history of doing over the years. If the building is ultimately financed through the 63-20, the administration will be back to the Board for approval for a nonprofit entity. Mr. Patterson reminded the Board that through the 63-20 transaction the ownership would revert at the end of the lease term at no additional cost to the University of Washington.

Vice Provost Patterson noted that Safeco will be occupying the building through December 2007. The University will take possession January 2008.

MOTION: Upon the recommendation of the Chair of the Board and the motion made by Regent Proctor, seconded by Regent Yapp, the Board voted unanimously to approve \$130 million to purchase of the Safeco Insurance Corporate Headquarters Portfolio.

ADJOURNMENT

The special meeting was adjourned at 12:00 p.m.

DATE FOR NEXT MEETING

The next regular meeting of the Board of Regents will be held on Thursday, September 21, 2006.

A handwritten signature in black ink, appearing to read "Michele M. Sams", written in a cursive style.

Michele M. Sams
Secretary of the Board of Regents