

6. **U. T. System Board of Regents: Adoption of Resolution Amending the Sixteenth Supplemental Resolution authorizing Revenue Financing System Bonds; authorization to complete all related transactions; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt a resolution, substantially in the form on Pages 39c - 39e, amending the Sixteenth Supplemental Resolution to the Master Resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds to increase the maximum aggregate principal amount not to exceed \$900,000,000; and
- b. authorize appropriate officers and employees of the U. T. System as set forth in the Sixteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. System Board of Regents on February 14, 1991, amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. System Board of Regents resolve that

- a. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System; and
- b. the institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt Parity Debt.

BACKGROUND INFORMATION

On August 10, 2006, the U. T. System Board of Regents adopted the Sixteenth Supplemental Resolution (Resolution) authorizing the issuance of bonds in an aggregate principal amount not to exceed \$575,000,000 for FY 2007. Due to the significant decline in tax-exempt interest rates over the last several months, a larger amount of outstanding Revenue Financing System Bonds can be refunded to produce debt service savings. The proposed amendment would increase the maximum amount of bonds that can be issued pursuant to the Resolution from \$575,000,000 to \$900,000,000 to allow additional outstanding bonds to be advance refunded provided the refunding exceeds a minimum 3% present value debt service savings threshold.

The Sixteenth Supplemental Resolution and the amending resolution have been reviewed by outside counsel.

RESOLUTION
AMENDING THE SIXTEENTH SUPPLEMENTAL
RESOLUTION
TO THE MASTER RESOLUTION

WHEREAS, on April 12, 1990, the Board adopted a Master Resolution Establishing The University of Texas System Revenue Financing System, as amended and restated on February 14, 1991 and further amended on October 8, 1993 and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System (the "Financing System") comprised of the institutions now or hereafter constituting components of The University of Texas System which are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Sixteenth Supplemental Resolution to the Master Resolution Establishing The University of Texas System Revenue Financing System (the "Sixteenth Supplement") was adopted by the Board on August 10, 2006; and

WHEREAS, among other things, the Sixteenth Supplement authorized the issuance of bonds for the purposes of financing and refinancing the costs of acquiring, purchasing, constructing, improving, enlarging, and equipping the property and facilities of the Members of the Revenue Financing System; refunding all or a portion of the Potential Refunded Bonds; refunding all or a portion of the Board's outstanding Revenue Financing System Commercial Paper Notes, Series A or its outstanding Revenue Financing System Taxable Commercial Paper Notes, Series B (collectively, the "Notes") to provide permanent financing for facilities and improvements financed with the proceeds of the Notes; and paying the costs of issuance related thereto; and

WHEREAS, Section 32 of the Sixteenth Supplement also authorized various transactions under the Swap Agreements between the Board and the designated counterparties, including transactions for the purpose of (i) locking-in a fixed rate on a variable rate debt, (ii) creating synthetic variable rate exposure for the purpose of (A) producing interest rate savings, (B) limiting or hedging variable rate payments, (C) altering the pattern of debt service payments, (D) modifying its variable rate exposure within prudent guidelines, (iii) hedging risks in the context of a particular financing plan, (iv) utilizing a forward starting swap or, to the extent permitted by law, a swaption for refinancing purposes, or (v) be transacting for asset/liability matching purposes; and

WHEREAS, the Sixteenth Supplement was submitted to and approved by the Texas Bond Review Board; and

WHEREAS, the Sixteenth Supplement provided that any advance refunding of outstanding Revenue Financing System bonds must achieve a present value debt service savings of at least 3%; and

WHEREAS, the significant decline in tax-exempt interest rates over the last several months presents the opportunity to refund a larger amount of outstanding Revenue Financing System bonds within the debt service savings threshold; and

WHEREAS, the Board deems it necessary to amend the Sixteenth Supplement to increase the maximum principal amount of bonds that may be issued pursuant thereto.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

Section 1. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to the Sixteenth Supplement.

Section 2. Section 2 of the Sixteenth Supplement is hereby amended by substituting the amount "\$900,000,000" in place of "\$575,000,000" each time that \$575,000,000 currently appears in such section. In addition, the findings set forth in Section 8 of the Sixteenth Supplement are hereby ratified and reaffirmed with respect to the increased principal amount authorized by this amending Resolution.

Section 3. Except to the extent set forth in this Resolution the Sixteenth Supplement is not amended, supplemented or repealed and remains in full force and effect, including specifically, the provisions of Section 32 of the Sixteenth Supplement.

Section 4. The Chairman of the Board, the Vice Chairmen of the Board, the General Counsel to the Board of Regents of The University of Texas System, the U. T. System Representatives, and the other officers, employees, and agents of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, including seeking such additional approval as may be necessary from the Texas Bond Review Board of the provisions of the Sixteenth Supplement as amended by this amending Resolution. In addition, the Chairman of the Board, the Vice Chairmen of the Board, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Associate Vice Chancellor for Finance, the Director of Finance, and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by (i) Fitch Ratings, Moody's Investors Service, Inc., or Standard & Poor's Ratings Group, a Division of McGraw-Hill, Inc. as a condition to the granting

or maintenance of a rating on the Bonds acceptable to a U. T. System Representative or (ii) by the Attorney General's office in connection with the review of this Resolution.

Section 5. This amendment to the Sixteenth Supplement shall take effect on the date of adoption of this Resolution.

Section 6. The recitals set forth in the preamble to this Resolution are hereby incorporated into this Resolution and made a part hereof for all purposes.

Section 7. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, *Texas Government Code*.

PASSED AND ADOPTED, this

ATTEST:

General Counsel to the
Board of Regents of
The University of Texas System

(SEAL)