

Overview of 2004 Series H Financing



- ❖ Proceeds of the Series H 2004 Facilities Revenue Bonds will pay the costs of constructing, furnishing and equipping a new state-of-the-art Chemistry/Biochemistry Research Lab on the Bozeman Campus
- ❖ The Series H financing will be secured by a first parity lien on the Net Pledged Revenues pledged to the outstanding Facilities Revenue Bonds
- ❖ As part of the Series H financing, the Board of Regents is expanding the definition of Net Pledged Revenues to include Indirect Cost Recovery Payments related to Federal Research Contracts
- ❖ Indirect Cost Recovery Payments Related to Federal Research Contracts of \$11.3 million cover estimated annual Series H debt service of \$1.57 million with over 7 times debt service coverage
- ❖ The Series H financing is being structured as a 30-year fixed rate financing with level annual payments; interest is being capitalized through May 2006

Series H Security Features and Flow of Funds



- ❖ The Series H 2004 Bonds will be primarily paid from ICR revenue related to Federal Research Contracts and will additionally be secured by other Net Pledged Revenues of the University
- ❖ The issue will be self-supporting through May 15, 2006, the end of the capitalized interest period
- ❖ The University's Grants and Contracts Office will pre-fund the Series H 2004 debt service requirement by July 1, 2006 with a transfer to the Trustee in an amount equal to fiscal year 2007 debt service and then will transfer first ICR revenue received during FY 2007, and each subsequent year, for the next succeeding fiscal year's debt service
- ❖ The pre-funded "reserve" fund equal to one year's debt service will remain in the Debt Service Fund for the life of the Series H issue and will be applied to make the final Series H debt service payment

Historical Federal Indirect Cost Recoveries and Estimated Debt Service



Certain Indirect Cost Recovery Payments Added to Net Pledged Revenues

	2000	2001	2002	2003 Unaudited	2004 Unaudited
Total Grants and Contracts	\$61,031,150	\$61,023,157	\$66,030,298	\$82,353,323	\$87,694,958
Federal Grants and Contracts	\$42,103,982	\$44,769,228	\$49,279,563	\$66,423,680	\$74,101,145
% Federal of Total	68.9%	73.3%	74.6%	80.6%	84.2%
Indirect Cost Recovery Payments	\$8,748,153	\$9,511,545	\$10,396,602	\$12,931,128	\$13,460,430
Estimated ICR Revenue Related to Federal Contracts	\$6,027,477	\$6,971,962	\$7,575,881	\$10,422,489	\$11,333,682
Estimated Series H 2004 Debt Service	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000
Historical "Coverage" – ICR Revenue Only	3.84x	4.44x	4.83x	6.64x	7.22x

Montana State University Research Highlights

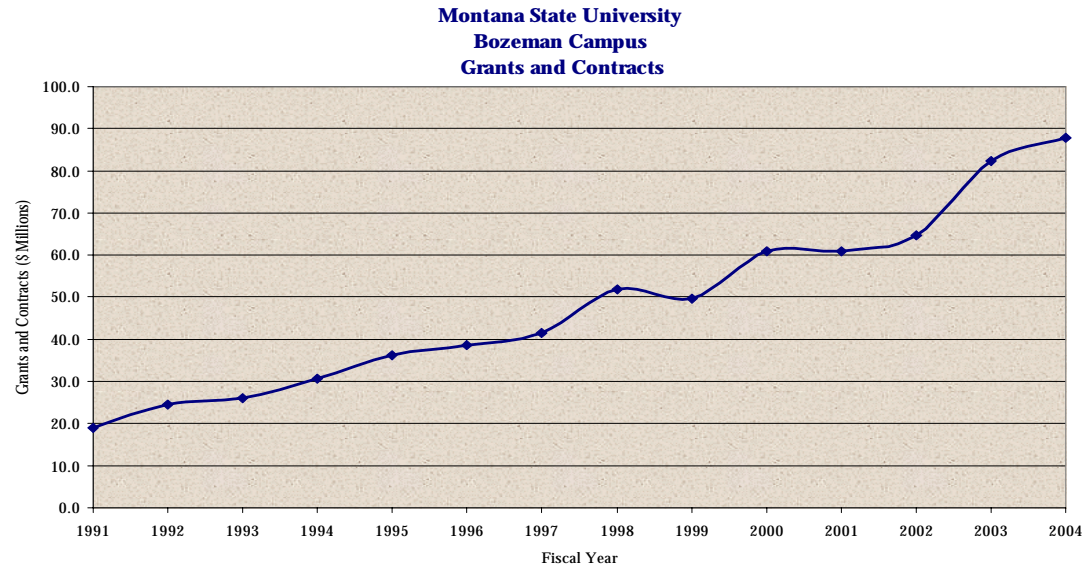


- ❖ With over \$87.9 million in FY04 research expenditures, MSU is ranked by NSF as one of the top 75 public research universities in the country
- ❖ Major recent research awards include:
 - \$13.5 million National Science Foundation – EPSCoR (Experimental Program to Stimulate Competitive Research)
 - \$16.1 million National Institutes of Health – Idea Network of Biomedical Research Excellence
 - \$10.5 million National Institutes of Health – Study of New Immunomodulator Adjuvants
- ❖ MSU is one of five universities designated by NASA to participate in the MARS Exploration Program
- ❖ MSU has top scientists doing cutting-edge research in many areas of science and agriculture

Montana State University Research Highlights



- ❖ Over the last decade MSU's contract and grant activity has nearly tripled from \$30 million in 1994 to \$87.9 million in 2004 as shown below:

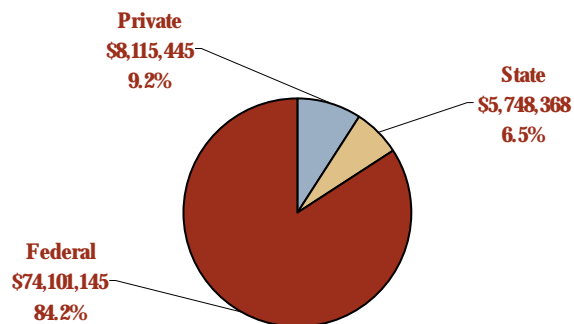


- ❖ MSU has potential for research growth in areas of biomedical, agricultural and animal bioscience, nanotechnology and environmental research
- ❖ MSU has experienced a significant increase in multi-investigator federally funded interdisciplinary proposals, including:
 - NIRT (Nanoscale Interdisciplinary Research Technology)
 - PEN (Programs of Excellence in Nanotechnology)
 - NSEC (Nanoscale Science and Engineering Center)

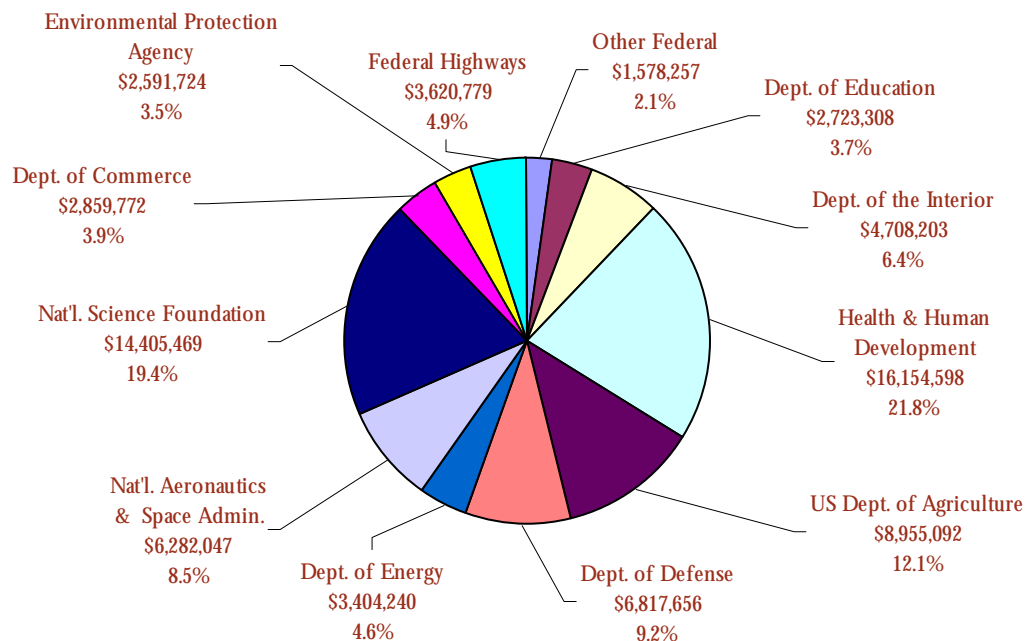
Research Funding by Sources



Grants & Contracts Expenditures for FY 2004



Grants & Contracts Activity by Federal Source FY 2004

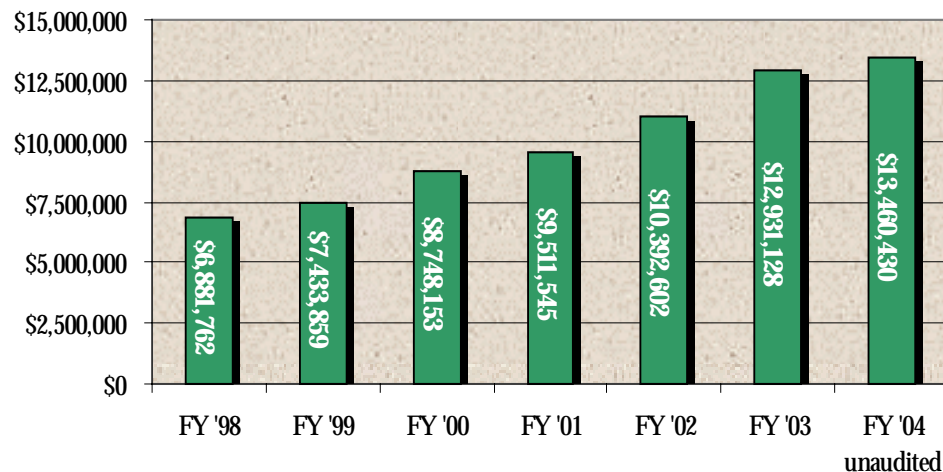


- ❖ The largest portion of MSU’s research funding comes from federal grants & contracts
- ❖ MSU’s federal research funding comes from a large and diverse pool of federal agencies

Key Awards and Indirect Cost Revenues



History of ICR Revenues Collected by MSU



Large Federal Multi-Year Awards		
Funding Agency	Duration	Award Amount
National Institutes of Health	7/28/04 – 6/30/09	\$16,160,055
Department of Transportation	10/1/98 – 9/30/04	\$10,686,900
NASA	9/1/99 – 8/31/04	\$10,002,000
National Institutes of Health	9/30/03 – 9/29/04	\$9,888,170
Department of Defense	7/21/99 – 9/30/06	\$9,406,351
National Science Foundation	2/1/01 – 7/31/04	\$9,000,000
National Science Foundation	10/1/01 – 9/30/04	\$6,950,495
National Science Foundation	6/10/99 – 7/31/05	\$3,043,900
National Science Foundation	9/1/03 – 8/31/05	\$2,990,606
Department of Interior	4/1/00 – 3/31/05	\$2,693,700
Department of Interior	4/2/01 – 12/31/04	\$2,244,000

- ❖ Over the last five years, MSU’s Indirect Cost Recovery Revenues have increased by 81% from \$7.4 million in 1999 to \$13.4 million in 2004
- ❖ Six different federal agencies are represented within the ten largest multi-year awards over the past five years
- ❖ No one federal agency represents more than 18% of annual grant/contract activity

New Space Contributes to Success of Research Effort



- ❖ In July 2002, MSU asked the Board of Regents for authorization to lease a new private facility for the Veterinary Molecular Biology research group. MSU's proposal asserted that lack of adequate, high-quality space was inhibiting the growth potential of this research group.
- ❖ In July 2003, the leased facility was occupied
- ❖ Since 2002, the increase in ICR revenues from Veterinary Molecular Biology are sufficient to fund all costs of this new facility
- ❖ The history of Grants and Contract expenditures for Molecular Biology are as follows:

FY 2002	\$3.8 million
FY 2003	\$5.3 million
FY 2004	\$6.1 Million
FY 2005	\$8.0 million (projected)

History Funding by Agency



Ten-Year Funding History from Select Federal Agencies			
Fiscal Year	National Science Foundation (NSF)	Health & Human Services (HHS)	US Dept. of Agriculture (USDA)
FY '95	\$8,586,521	\$3,094,665	\$3,421,892
FY '96	10,140,876	3,240,774	3,672,305
FY '97	8,364,971	3,384,668	4,559,366
FY '98	9,867,100	4,943,183	9,448,641
FY '99	8,951,129	4,510,541	5,492,635
FY '00	9,146,605	6,227,911	5,593,619
FY '01	8,872,591	7,612,769	5,852,092
FY '02	9,051,942	10,188,546	7,348,787
FY '03	14,219,550	11,950,825	6,557,736
FY '04	14,405,469	16,154,598	8,955,092

- ❖ Growth in NSF funding primarily attributable to major EPSCoR award of \$13.5 million
- ❖ Substantial growth in HHS funding due in large part to two major NIH awards – Idea Network of Biomedical Research Excellence (\$16.1 million) and Study of New Immunomodulator Adjuvant (\$10.5 million)