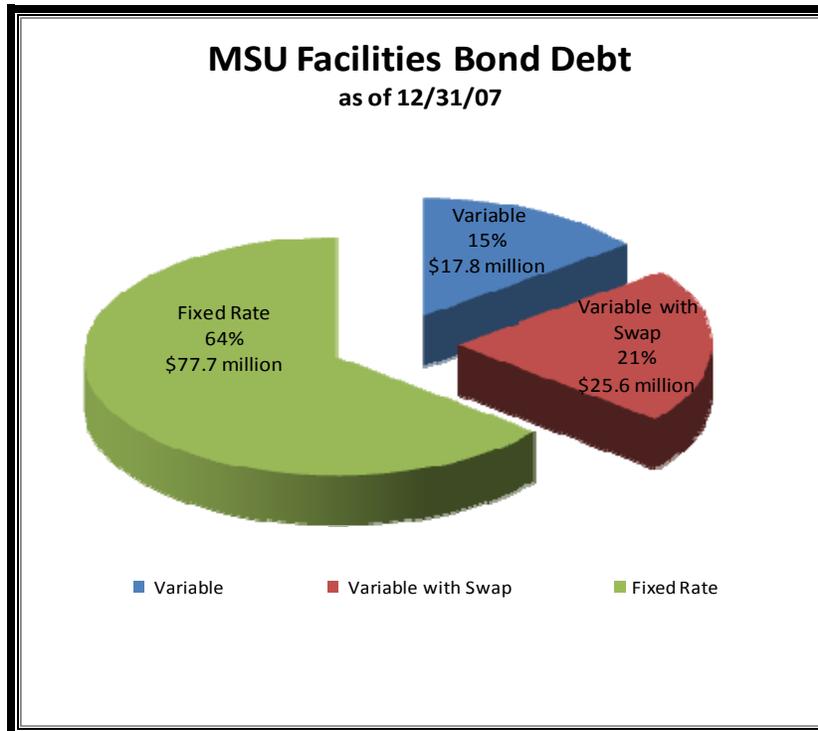


MSU currently has outstanding \$121 million in facilities revenues bonds paid from housing system and other enterprise revenues and student fees (see table at end). MSU's current stand-alone bond ratings are A1/A+ by Moody's and Standard & Poor's. The make up of MSU's debt between fixed and variable rate is shown below:



The average interest rate on MSU's \$77.7 million of fixed rate debt is 4.45%. The average rate on the \$17.8 million of variable rate debt since its issuance in 2003 has been 2.33%. The swap rate on the 2005 issue of \$25.6 million is 4.02%.

At the time the Board of Regents (BOR) approved the first issuance of variable rate bonds in 2003, MSU and the Commissioner adopted an Interest Rate Management Plan. The plan set forth guidelines that MSU follows in using variable rate debt and interest rate swap strategies, and established a Variable Rate Debt Management Committee. The committee meets at least quarterly to review MSU's variable rate debt and interest rate swap performance, and to recommend any modifications. The committee members include the MSU Vice President for Administration & Finance, the OCHE Associate Commissioner for Fiscal Affairs, MSU's Bond Underwriter (Wachovia Securities), MSU's Financial Advisor (S.B. Clark, Inc.), and others within the University responsible for financial management.

The MSU Variable Rate Debt Management Committee has been meeting frequently over the past five months to monitor impacts of the subprime mortgage credit failures on the municipal bond and swap markets, and specifically the impacts on MSU's two variable rate issues. At this time, the MSU variable rate debt and swaps are generally performing as expected, but from time to time, opportunities in the markets arise that may further benefit MSU.

For example, the Federal Reserve has recently reduced interest rates, and there may be an opportunity in the near future to swap the 2003 issue to a synthetic fixed rate in the low 2% range, locking in the historic performance of the variable rate 2003 bonds. Opportunities such as this often must be acted upon more quickly than the Regents' bi-monthly meeting schedule will allow, to take advantage of short-term market fluctuations. As such, the University seeks advance approval to execute such agreements.

Montana State University Summary of Outstanding Debt

Series	Issue Date	Original Amount Issued	Amount Outstanding As of 12/31/07	Average Interest Rate	Call Features	Availability for Advance Refunding
A - 1993	11/9/93	24,911,720	10,123,861	5.02%	noncallable	n/a
E - 1998	6/1/98	8,255,000	315,000	4.40%	noncallable	n/a
G - 2003	10/15/03	18,760,000	17,830,000	Variable - has averaged 2.33%	on any date upon 30-days notice	n/a
H - 2004	10/26/04	23,665,000	23,230,000	4.51%	11/15/14 @ 100	yes
I - 2004	12/8/04	31,340,000	30,470,000	4.23%	11/15/14 @ 100	no
J - 2005	7/21/05	25,750,000	25,575,000	Variable swapped to fixed @ 4.02%	on any date upon 30-days notice - swap breakage applies	yes
K - 2006	8/17/06	13,705,000	13,550,000	4.41%	11/15/16 @ 100	no
Total		146,386,720	121,093,861			