

July 13-15, 2005

ITEM 128-1004-R0705

Authorization to Proceed, Series J 2005 and Series K 2010 Refunding and Facilities Improvement Revenue Bonds and to Utilize Variable and Fixed Rate Debt Instruments, with an Interest Rate Swap Agreement:

THAT:

The Board of Regents of the Montana University System adopts the Bond Resolution for the Series J 2005 and Series K 2010 Refunding and Facilities Improvement Bonds for The University of Montana, authorizes The University of Montana and the Commissioner of Higher Education to proceed with the issuance of the Series J 2005 and Series K 2010 Revenue Bonds and to utilize a Variable and Fixed Rate Debt Instrument, with an Interest Rate Swap Agreement in connection with the Series K 2010 Bonds.

The University of Montana – Series J 2005 Bonds

Advance Refund a Portion of the Series F 1999 Revenue Bonds	\$11,500,000
UM Helena COT Multi-Purpose Building (Planning Authorization BOR 127-124-R0505, May 2005)	\$ 5,000,000
Avian Research Center	\$ 750,000
Dormitory Sprinklers	\$ 750,000
School of Journalism Renovation	\$ 750,000
Auxiliary Portion of Steam and Condensate Line Replacement	\$ 1,800,000
Interdisciplinary Research Facility (max)	<u>\$12,000,000</u>
Maximum Total	\$32,550,000

Series K 2010 Revenue Bonds and Swap Option Agreement

The University of Montana is authorized to enter into a Variable to Fixed Interest Rate Swap Agreement in conjunction with the Series K 2010 Bonds. The transaction will net \$2.0 to \$3.0 million in proceeds to be used to reduce the funding required from the Series J 2005 Bonds, primarily for the construction of the Interdisciplinary Research Facility.

EXPLANATION:

The Board of Regents, at the May 2005 BOR meeting, approved the OCHE and UM to plan for the financing and construction of an office building to house OCHE and MGSLP and to provide facilities for the MUS and UM Helena COT. In planning this activity, The University of Montana reviewed their campus capital and maintenance needs to determine if there may be an opportunity to address projects for UM campuses as well as if there may be financing opportunities that could reduce the overall costs of borrowing. The projects above have been identified as

candidates to be included in the Series J 2005 and Series K 2010 Revenue Bonds. Both the advance refunding and the swap option will reduce the overall borrowing costs of the University. The current yield curve on taxable rate bonds presents a unique window of opportunity for The University of Montana to enter into a Swap Option to coincide with the Series J 2005 Bonds. Entering into a Forward Starting Swap Option and Agreement nets \$2.0-\$3.0 in funding. This funding will be used to reduce the proceeds required from the issuance of the Series J 2005 Bonds for the Interdisciplinary Research Facility.

ATTACHMENTS:

Series J 2005 and Series K 2010 Revenue Bonds Support Documentation
Series J 2005 and Series K 2010 Revenue Bonds Resolution
The University of Montana Debt Management Policy
Form of ISDA Swap Agreement