April 29, 2008

ITEM 139-102-C0408 **<u>Authorization to Proceed with the Issuance of Series L 2008 Facilities Revenue Bonds to Refund Previously Issued Series G Revenue Bonds; Montana State University</u>**

THAT: The Montana Board of Regents of Higher Education adopts the supplemental Bond Resolution for the Series L 2008 Facilities Refunding Revenue Bonds for Montana State University, and authorizes Montana State University and the Commissioner of Higher Education to proceed with the issuance of these bonds.

EXPLANATION:

1. This authorization to proceed with the issuance of the Series L 2008 Facilities Revenue Refunding Bonds is subject to final approval by the University and the Commissioner of Higher Education. This authorizes the Chair of the Board of Regents, the Commissioner of Higher Education, the President of Montana State University, and the Vice President for Administration and Finance of Montana State University to execute such documents as may be required to consummate the issuance of the Series L 2008 Facilities Revenue Refunding Bonds.

2. The proceeds of this issuance will refund the Series G 2003 Bonds, all of which are callable. The Series G bonds were issued to refund certain of the University's then-outstanding Series 1993 and 1994 bonds. Such bonds originally financed new family housing and renovation of residence halls at Bozeman and Northern.

3. The Series G bonds were issued in an auction-rate mode in the municipal bond auction market, with projected total interest costs in the 3.0% to 3.5% range at the time of issuance.

4. The average rate on the Series G bonds for the period 2003 – 2007 was 2.3%, plus fees, with rates ranging from 0.8% in 2004 to 4.1% in 2007. The expected fixed rate for the remainder of the term is 3.65%.

5. Given current market conditions, the University and its financial advisor have determined that converting to a traditional fixed-rate issuance at this time allows the University to achieve an overall interest rate on the Series 2003 refunding within its expected range, while eliminating volatility inherent in the auction market.

6. The expected net present value savings for the 2003 refunding at closing in November 2003 was 4.05%. With the low average variable rate realized between 2003 and 2007, and with the expected fixed rate for Series L 2008 refunding, the net present value savings of the Series G and Series L bonds, as compared with the Series 1993 and 1994 bonds, will be 9.4%, or more than $1.7 million.

7. This refunding issue is currently characterized as follows, based on market conditions as of March, 2008:
    a. Face value of $17,430,000.

b. Maturity in November, 2016 (original maturity dates not extended).
c. Interest rates ranging from 3.0% to 4.0% (TIC 3.65%).
d. Expected Aaa Insured credit rating.
e. Issuance costs of $363,150.

ATTACHMENT: A. Authorizing Resolution

Supporting documentation is available for review at the Office of the Commissioner of Higher Education and at the office of the Vice President for Administration and Finance at Montana State University-Bozeman.