EXPLANATION

The University of Montana is planning for the financing of several projects approved by the Board of Regents, including but not limited to the Modular Technology Units, Interdisciplinary Science Building renovations, Residence Life renovations, and construction of the Gilkey Executive Education Center. The total financing is estimated at a maximum of $8.0 million. Historically, the University utilized Revenue Bonds and the InterCap loan program offered by the Montana Board of Investments for financing projects. However, the Montana Board of Investments recently capped the total amount of debt they will hold on behalf of the Montana University System. With this limit, the University of Montana intends for the most part to use the InterCap program for financing of projects under $3.0 million. The issuance of debt through a public financing using Revenue Bonds becomes cost effective at levels generally above $10.0 million. The University has been looking at alternatives for loans falling between of $3.0 - $10.0 million. Initial planning indicates that the most cost effective approach is a direct placement with a local bank under the umbrella of the existing indenture. The debt would be held solely by the bank. Chapman and Cutler, bond counsel for the University of Montana, is working closely with the University through this process. Currently, the University of Montana is seeking proposals from local banks to participate in this potential financing.

The request for final approval along with an authorizing bond resolution will be submitted to the Board of Regents upon completion of the investigating/planning process.