INFORMATION ITEM:
BOARD OF REGENTS INFORMATION REGARDING MAEDC DISSOLUTION IMPACT ON MONTEC; UM- Missoula

The history of MonTEC dates back to January 2001, when the BOR authorized (ITEM 110-1003-R0101) UM to acquire land and a building (using $750K in federal grant funds) for the creation of MonTEC in collaboration with the Missoula Area Economic Development Foundation (MAEDF), the foundation arm of the Missoula Area Economic Development Corporation (MAEDC). MonTEC began functioning as an incubator under a management agreement between MonTEC and MAEDC, with no UM financial support. More recently, the BOR authorized (ITEM 149-1002-R1110, November 19, 2010) UM to match a $1.75 million grant from the U.S. Commerce Department’s Economic Development Administration for the purpose of improving and renovating the MonTEC property to facilitate the expansion of Rivertop Renewables, Inc., a prime MonTEC tenant. Rivertop is a UM spinoff company licensed to commercialize UM patented technologies.

The Missoula Area Economic Development Corporation (MAEDC) has unexpectedly announced its intent to dissolve and cease operations as a Montana not-for-profit corporation within the next several months. This move presents three issues affecting UM investment in MonTEC: (1) MAEDC’s dissolution will leave MonTEC without a managing agent; (2) MAEDC’s pending dissolution (and legal connection to MAEDF) will require MonTEC board governance changes likely resulting in a majority position for UM on the MonTEC board of directors; and (3) MAEDC dissolution combined with the disruption caused by the renovation will cause cash flow problems for MonTEC for an estimated two years.

To facilitate this transition and to ensure adequate protection of our interests in the MonTEC facility and the technology licensed to Rivertop Renewables, the University has agreed to:

• Enter into a management arrangement with MonTEC, which will include in-kind contributions toward administrative/accounting support, general grounds upkeep, and scheduled maintenance;

• Contribute $86,500 toward outstanding management fees owed to MAEDC by MonTEC. This contribution represents 50% of the outstanding fees owed to MAEDC, and would be a onetime payment. Additionally, this payment is conditional upon MAEDC writing off the remaining management fees owed to them by MonTEC;

• Provide up to $100,000 of bridge funding to MonTEC at an interest rate equal to lost earnings to UM, in order to ease MonTEC’s cash flow challenges over the next two years. This advance will be returned to the University from MonTEC operating revenues beginning in year three.

The University has put together a sound financial plan to operate MonTEC as a University-run facility, with MonTEC’s pending facility renovation incorporated into the plan. The MonTEC facility value, both currently and redesigned for the Rivertop project, is substantial (estimated at several million dollars in the current soft market) and the University interest in this facility warrants assisting MonTEC in the manner noted above.