

March 5-7, 2008

ITEM 138-2005-R0308

**Authorization to Execute, Modify and/or Terminate
Certain Debt Management Agreements; Montana State
University**

THAT:

The Board of Regents of the Montana University System adopts a resolution authorizing Montana State University and the Commissioner of Higher Education to execute International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements and related documentation pertaining to its variable rate debt instruments, and consents to changes in interest rate modes and provision of liquidity facilities with respect to Montana State University's outstanding variable rate debt.

EXPLANATION:

1. Montana State University currently employs debt management strategies that include interest rate swaps relative to its variable rate bonds; such agreements have each been separately approved by the Board of Regents.
2. MSU financial managers monitor the University's position with respect to its two variable rate bond series regularly, with the assistance of a financial advisor and bond underwriter.
3. Timing restrictions inherent in the Board of Regents' meeting schedule could result in lost opportunity for the University to obtain the most advantageous debt position for Montana State University and its affiliated campuses.
4. This action delegates to the University and the Commissioner of Higher Education the administrative authority to execute, terminate, amend, modify, supplement, and/or alter ISDA Master Agreements and related documentation; to change interest rate modes; and to enter into liquidity facilities (such as a bank letter of credit) with respect to the University's two variable rate bond series, when and as required, in order for the University to respond to, take advantage of, or benefit from interest rate fluctuations and other market conditions as they occur.
5. An ISDA Master Agreement is a standardized form that was developed to document the rights and obligations of parties to financial transactions such as interest rate

swaps. A bank letter of credit provides assurance to bondholders that the University will continue to make principal and interest payments when due.

6. There may be additional legal, auction agent, underwriter, banking, rating, and/or broker-dealer costs for making such changes. The Regents will be notified when such changes are in process, and new transactions will be reported at the following Board meeting. Additionally, appropriate notice will be given to specified parties as has been previously set forth in the University's bond indenture.
7. This authorization does not include the authority to issue additional debt or extend debt maturity dates. It does not affect underlying debt principal balances or their repayment terms, but rather the interest payments associated therewith.

ATTACHMENTS:

- A. Background Information Presentation
- B. Authorizing Resolution