

**The University of Montana- Missoula
South Campus Housing Project Proposal
2002**

BACKGROUND

Over the past decade, the population growth in the City and County of Missoula has been significant. This, coupled with increased enrollments at The University of Montana-Missoula, has created a shortage of housing on the campus and in the community. Nationally, a healthy community rental vacancy rate is considered to be 5-6%. However, the vacancy rate in Missoula has been below 2% for over two years creating pressure surrounding housing, neighborhoods, and occupancy standards. In an effort to discuss and problem-solve these issues, the City of Missoula and the University sponsored a working group made up of citizens, local government officials, special interest groups, and UM students and administrators. The working group recently submitted recommendations to the Missoula City Council. The following are some specific recommendations that impact the University:

- “We believe that the University, whose students represent 25% of Missoula’s rental population, should increase their efforts to provide more and appropriate on-campus housing consistent with the enrollment increases over the past few years and projections into the future”.
- “We believe that a University has a right and obligation to provide housing for it’s students and that providing such housing at costs lower than off campus housing is beneficial to both the student and the community”.

The University is committed to working with the Missoula community to maintain and retain the residential character of neighborhoods affected by students and jointly work to develop creative solutions to the problem of affordable housing in the community.

PROJECT

The University of Montana-Missoula proposes to build a 216-unit student housing complex on an 8-acre tract located on our south campus in the vicinity of the Higgins -- Pattee Canyon Drive intersection. This new project will consist of 12-eighteen unit buildings providing 216 two bedroom, fully furnished, apartments. Each apartment design will accommodate two unrelated students living independently. Bedrooms are sized to provide a combined sleeping and private study area. Shared facilities include a small, fully equipped kitchen, eating area, and living room.

If approved by the Board of Regents at it’s July 2002 meeting, the University would proceed with the design, financing, and construction plans necessary to have the complex ready for occupancy in August 2004. The estimated cost of this project is \$18,950,000. The project, inclusive of the annual bond debt and all operating costs, will be funded in total by revenues generated from the operation of the housing complex.

SUMMARY

As a result of a very tight local housing market, insufficient student housing (as a percentage of the student population who reside in university owned housing), very strong occupancy rates in University owned housing, very favorable interest rates, and a fully self-supporting business plan, we believe now is the time to build more housing.

THE UNIVERSITY OF MONTANA-MISSOULA
Housing Capacity and Usage Report
5 Year Report Increments

RESIDENCE HALLS

<u>Year</u>	<u>Capacity</u>	<u>Occupancy</u>	<u>% of Occupancy</u>
1970	2476	2375	95.92%
1975	2459	2354	95.73%
1980	2448	2277	93.01%
1985	2369	2002	84.51%
1990	2043	1911	93.54%
1995	2050	2024	98.73%
2000	2257	2266	100.40%
2001	2271	2340	103.04%

As of June 13, 2002, housing applications are 370 ahead of same date in 2001.

UNIVERSITY VILLAGES

<u>Year</u>	<u>Capacity</u>	<u>Occupancy</u>	<u>% of Occupancy</u>
1970	394	394	100.00%
1975	394	394	100.00%
1980	394	394	100.00%
1985	394	394	100.00%
1990	394	394	100.00%
1995	518	518	100.00%
2000	578	578	100.00%
2001	578	578	100.00%

As of June 13, 2002, there are 198 applicants on the University Villages waiting list.

**COMPARISON OF INSTITUTION ENROLLMENT AND CAPACITY
OF CAMPUS BASED HOUSING***

Information based on Fall 2001 enrollments and housing capacities

<u>Institution Name</u>	<u>Projected Enrollment</u>	<u>Housing Capacity</u>	<u>%</u>
Northern Arizona	16,982	6337	37.32%
U of North Dakota	11,000	4003	36.39%
South Dakota State	9,200	3334	36.24%
Washington State	17,535	6133	34.98%
Eastern New Mexico	3,500	1200	34.29%
Western Washington	11,000	3749	34.08%
Central Washington	8,463	2880	34.03%
Montana State	12,000	3979	33.16%
North Dakota State	10,000	3261	32.61%
Colorado State	22,500	7300	32.44%
New Mexico State	14,958	4527	30.26%
U of South Dakota	7,000	2077	29.67%
Minnesota State Mankato	11,500	2977	25.89%
U of Oregon	16,593	3961	23.87%
U of Montana	12,400	2855	23.02%
Eastern Washington	8,500	1954	22.99%
Oregon State	17,500	3950	22.57%
U of Colorado	26,697	5953	22.30%
U of Idaho	10,044	2004	19.95%
U of Wyoming	10,500	2068	19.70%
St. Cloud-Minnesota	15,000	2953	19.69%
U of Minnesota-Twin Cities	39,050	7011	17.95%
U of Washington	36,000	5950	16.53%
U of Arizona	35,000	5533	15.81%
U of Nevada-Reno	12,902	1767	13.70%
Arizona State	44,550	5500	12.35%
U of New Mexico	25,000	2551	10.20%
Idaho State	12,000	1041	8.68%
U of Nevada-Las Vegas	20,000	1499	7.50%
Boise State	16,000	1191	7.44%

<i>New Capacity based on South Campus Housing Project:</i>			
Projected	12,400	3,287	26.51%
Actual	12,668	3,287	25.95%

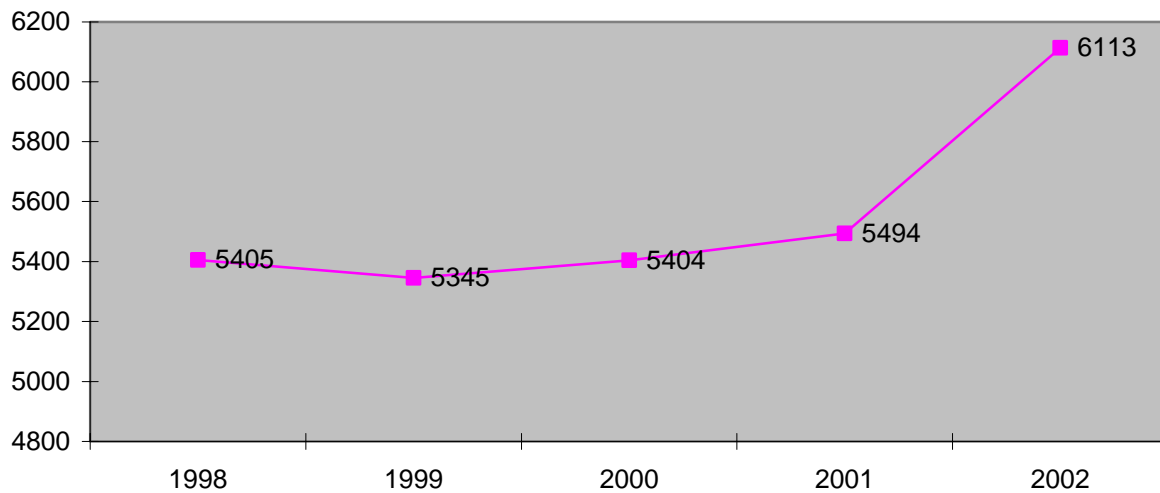
*SOURCE: Association of College and University Housing Officers - International

THE UNIVERSITY OF MONTANA-MISSOULA

**5 Year Enrollment Application History
Third Week of Fall Semester**

	1998	1999	2000	2001	2002
Fall Semester	5405	5345	5404	5494	6113* (Est.)

**5 Year Enrollment Application History
Third Week of Fall Semester**



***5,113 actual applications as of May 30, 2002.**

MISSOULA RENTAL PROPERTY RATES

Rates based on Missoula Housing Authority March 2001 Survey
and Fiscal Year 2002 University of Montana rates

<u>Location of Unit</u>	<u>Size of Unit</u>	<u>Monthly Rental Rate</u>	<u>Missoula Monthly Average Rental Rate</u>
Msla Community*	Studio	\$236-550	\$353
UM-Elliott Village*	Studio	\$237	
UM-C/S Village**	Studio	\$351	
UM-Toole Village*	Studio	\$363	
Msla Community*	1 bedroom	\$250-596	\$420
UM-Elliott Village*	1 bedroom	\$286	
UM-C/S Village**	1 bedroom	\$392	
UM-Toole Village*	1 bedroom	\$406	
Msla Community*	2 bedroom	\$395-1100	\$543
UM-Elliott Village*	2 bedroom	\$358	
UM-C/S Village**	2 bedroom	\$476	
UM-Toole Village*	2 bedroom	\$493	
Msla Community*	3 bedroom	\$495-950	\$738
UM-Elliott Village*	3 bedroom	\$400	
UM-C/S/Village**	3 bedroom	\$536	
UM-Toole Village*	3 bedroom	\$561	

* Unfurnished; includes sewer, water, and garbage

** Unfurnished; includes all utilities

UM - South Campus Housing Project	2 bedroom	<u>Proposed Rental Rate</u> \$400/student \$800/unit	- includes rent, utilities and furnishings
--------------------------------------	-----------	----------------------------------------------------------------	--------------------------------------------

**The University of Montana – Missoula
South Campus Housing Project
Financing Options**

Assuming \$16.7 million dollar Student Housing Project located on South Campus.

1) Issue Debt in Conjunction with the State Long-Range Building Program

Interest Rate: Low; Approximately 50 basis points below a revenue bond rate

Credit Impact: Yes;
Significantly Reduces Cost of Issuance;
Eliminates a Debt Service Reserve or the Purchase of Surety
Bond for Insurance

Issues: Must be approved by the Legislature

2) Issue Debt through the State Board of Investments

The only financing vehicle the State Board of Investments could offer is a Commercial Loan Program lending at 7.5% at this time.

3) Adopt a corporate approach to financing needs by establishing a relationship with a private developer and or a 501c3 foundation

Interest Rate: High

Credit Impact: Limited
Off-Balance Sheet Debt

Issues: A looming accounting change;
A new accounting statement portends possible changes in the attractiveness of off-balance sheet debt for entities under FASB. If approved, private colleges and universities that exercise control over a related entity and have an economic interest in that project will watch the debt that once was "off-balance sheet" shift back to their financial statements. Be assured that GASB will follow.

4) Issuance of Revenue Bonds

Interest Rate: Low 5 to 5.5%

Credit Impact: Yes;
Uses Debt Capacity;
Requires additional bonds test of a minimum of 1.25 coverage

	Principal	Annual Payment	Step-Up Payment	Interest	Total	
25 year level payment	\$17,880,000	\$1,296,000		\$14,464,599	\$32,344,599	
25 year step-up	17,940,000	1,162,000	2,762,000	17,647,012	35,587,012	Step-up of 1.6 mill (4 yrs.)
30 year level payment	17,935,000	1,202,000		18,215,685	36,150,685	
30 year step-up	18,010,000	1,052,000	2,052,000	22,845,905	40,855,905	Step-up of 1 mill (9 yrs.)

Ratio Analysis

The ratios and data shown on the attached table are all forms of indicators used by bond investors, securities rating agencies and bond insurers in evaluating credit quality of higher education debt. Most of the above interested parties will calculate these measures using a slightly different methodology. The effort in preparation of this table was to produce accurate comparable data for similar institutions based on available information.

It is important in considering the ratios to account for the type of pledge of funds available for repayment of debt. Some institutions issue debt which is a general obligation where most revenue streams are available for debt payments. Others issue revenue bonds with specific streams of revenue from specific facilities or operations pledged to the debt. The University of Montana indebtedness is auxiliary facility revenue bond debt. The institutions which make a general obligation pledge will show higher financial resource figures and related ratios, although there are also more expenditure demands on that higher resource base. In short, the data does not perfectly compare for the two different structures. However, in spite of the differences in the funds pledged to debt service, it is common to compare ratios of institutions with different pledges to help assess relative financial strength.

The indicators and ratios in the table include liquidity, operating performance and debt position measures and ratios. The liquidity measures speak to the flexibility that an institution may have to react to changing financial positions and revenues, both in the context of potential short term financial implications and in terms of long term trends in factors such as enrollment and financing sources. Liquidity indicators in the table include: Total Financial Resources, Expendable Resources to Operations and Expendable Resources to Debt.

Operating performance indicators relate to a institution's ability to meet ongoing operating obligations and, therefore; ability to maintain and improve the quality of education provided. Operating Margin and State Reliance are performance measures.

Debt position is important for evaluation of debt quality, debt capacity and ability to pay. Total Debt and Debt per FTE Enrollment are provided in the table.

Debt Capacity

The debt of the University of Montana is subject to certain covenants made at the time the various bond issues were sold. One important covenant requires the University to maintain a certain pledged net revenue coverage factor over annual debt service. When issuing new debt, the rate covenant requires the University to show that it will produce net revenues of at least 1.25 times debt service in the years following the issuance of the debt. Using this criterion, as of the end of fiscal year 2001, the University had a total of approximately \$171,220,448 in total debt service capacity, with

a potential unused capacity \$51,445,448 in debt. At the time of the proposed project completion, again using the 1.25 times covenant, the University would have \$73,785,525 of unused debt capacity including the then outstanding indebtedness, the proposed new indebtedness and new project revenues. It is important to note that this calculation takes into account only the minimum requirements of the existing debt covenants. Debt capacity as a practical matter is also affected by the evaluation of the overall financial condition of the University and the auxiliary facilities and the need to use excess net revenues for deferred maintenance and internally financed capital expenditures.

Summary

With respect to debt load, the University of Montana falls in the middle of the sample group by all measures. In terms of liquidity and operating performance the University ranks lower within the group, although these are not affected by issuance of debt. The ratios fall well within the range of investment-grade rated higher education indebtedness and compare reasonably with comparable higher education institutions.

Prepared by D.A. Davidson & Co. and RBC Dain Rauscher

The University of Montana Debt Burden Ratios

University	Ratings (Moody's/S&P)	Auxillary System Pledge	Gross Pledge	Total Financial Resources	Total Debt	FTE Enrollment	Debt/ FTE	State Reliance	Expendable Resources to Operations	Expendable Resources to Debt	Operating Margin
<i>University of Montana (FY 2001)</i>	<i>NR/NR</i>	<i>Yes</i>	<i>No</i>	<i>\$137,906,420</i>	<i>\$119,775,000</i>	<i>15,066</i>	<i>\$7,950</i>	<i>23.3%</i>	<i>4.3 months</i>	<i>0.62x</i>	<i>1.38%</i>
<i>University of Montana (w/new project)¹</i>	<i>NR/NR</i>	<i>Yes</i>	<i>No</i>	<i>\$137,906,420</i>	<i>\$131,805,000</i>	<i>15,066</i>	<i>\$8,749</i>	<i>23.3%</i>	<i>4.3 months</i>	<i>0.56x</i>	<i>1.38%</i>
Average Ratio	n/a	n/a	n/a	\$245,733,774	\$186,006,250	\$18,418	\$8,830	36.5%	4.6 months	1.04x	2.55%
University of Idaho	A1/A+	No	Yes	\$211,108,766	\$146,000,000	9,683	\$15,078	45.0%	3.6 months	0.47x	1.30%
University of Northern Colorado	A2/A	Yes	No	\$102,000,000	\$85,600,000	9,714	\$8,812	36.0%	6.8 months	0.80x	1.40%
Arizona State University	A1/AA	No	Yes	\$474,297,278	\$476,500,000	47,086	\$10,120	44.0%	3.4 months	0.42x	3.90%
Central Washington University	A2/NR	Yes	No	\$57,910,860	\$19,200,000	7,980	\$2,406	44.0%	4.4 months	2.31x	1.00%
North Dakota State University	A1/A	Yes	No	\$110,915,016	\$45,000,000	8,997	\$5,002	35.0%	7.0 months	2.30x	2.50%
University of Arizona	A1/AA	No	Yes	\$581,192,100	\$557,000,000	32,925	\$16,917	35.0%	4.4 months	0.60x	1.40%
Western Washington University	A2/A+	Yes	No	\$50,534,432	\$64,000,000	11,744	\$5,450	39.0%	3.0 months	0.60x	3.60%
University of Colorado	Aa3/AA-	Yes	No	\$842,000,000	\$392,000,000	38,092	\$10,291	18.0%	6.0 months	1.70x	5.10%
University of North Dakota	A1/A+	Yes	No	\$172,000,000	\$52,000,000	10,471	\$4,966	34.0%	5.4 months	1.80x	3.50%
Northern Arizona University	A2/A+	No	Yes	\$91,425,520	\$153,000,000	17,057	\$8,970	47.0%	3.0 months	0.40x	2.20%
Boise State University	A1/NR	Yes	No	\$117,514,890	\$122,000,000	12,203	\$9,998	38.0%	3.9 months	0.46x	3.30%

¹Assumes 2001 financial results and fund balances with the addition of the debt service and revenues associated with the proposed project.

Source: Moody's Investors Service, Standard & Poor's Corporation, Official Statements, Audited Financial Statements for Fiscal Years 2000 and 2001

**The University of Montana-Missoula
Projected Operating Budget
South Campus Housing
Fiscal Year 2005**

REVENUE

Rent - 2 bedroom apartment	216	800	11.4	\$1,969,920
Data Connections				33,750
Laundry				10,000
Miscellaneous				500
<i>Total Revenue</i>				<u>\$2,014,170</u>

EXPENSE

Salaries and Wages				
Plumber	0.33	45,790		\$15,111
Grounds	0.25	18,700		4,675
Painter	0.1	34,960		3,496
Custodial	1	18,700		18,700
Administrative	1	18,700		18,700
RA's	3	7,000		21,000
RTA	1	7,000		7,000
Benefits	2.68	136,850	15%	20,527
Insurance				5,184
Supplies				
Maintenance and custodial				2,000
Office				500
Communications				
Postage				500
Phone				420
Cable TV subscription				25,920
Data				51,840
Utilities				
Gas				116,640
Electricity				77,760
Water and Sewer				51,840
Garbage				23,400
Programming				8,000
Vehicle Maintenance				1,200
Bad Debt				4,500
Audit Fees				500
Miscellaneous				1,000
<i>Total Expenses</i>				<u>\$480,413</u>
Net Revenue Available for Debt Service				\$1,533,757
Annual Debt Service				<u>\$1,202,000</u>
Net Revenues After Debt Service				\$331,757
Debt Coverage				1.28%
Required Debt Coverage for Additional Bonds				1.25%

*A portion of the net revenues are available for the repair and replacement of the facility.

**The University of Montana
Revenue Bond Debt
Comparison/Coverage**

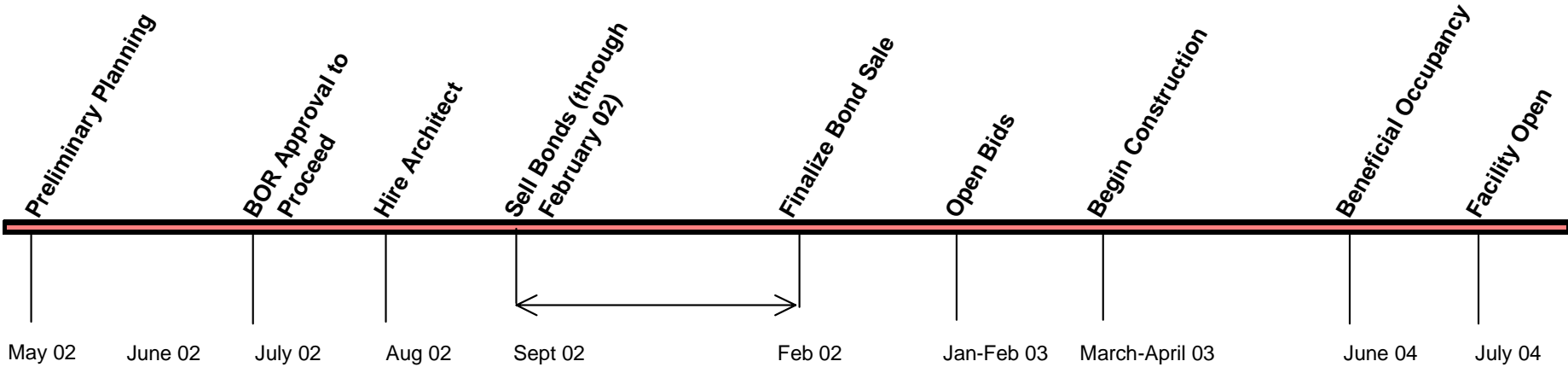
Outstanding Principal: Following the Issuance of Series A 1993 Revenue Bonds	\$132,505,002
Outstanding Principal - Fiscal Year End 2002 Following the Issuance of Series	
1995 Series B	
1995 Series C	
1996 Series D	
1998 Series E	
1999 Series F	<u>116,880,002</u>
Reduction in Outstanding Principal	\$15,625,000
Increased Outstanding Principal with Proposed 2002 Series G	<u>17,935,000</u>
Increase	\$2,310,000

**The University of Montana
Revenue Bond Debt
Comparison/Coverage**

Historical HIGH UM Bond Debt - Fiscal Year 1994	\$132,505,002
Current UM Bond Debt	<u>116880002</u>
Decrease in Bond Debt	\$15,625,000
Estimated increased in UM Bond Debt - 2002 Series G	<u>17,935,000</u>
Increase over Historical High	\$2,310,000

	<u>FY2005</u>	<u>FY05 - Opening of New Housing</u>	
	<u>Projected Current</u>	<u>95% Occupancy</u>	<u>75% Occupancy</u>
Pledged Revenues Available for Debt Service	\$19,007,545	\$20,541,302	\$19,126,582
Actual Debt Service	\$9,382,597	\$10,584,597	\$10,584,797
Actual Coverage	2.03	1.94	1.81
Coverage Required by Indenture	1.15	1.15	1.15

The University of Montana-Missoula Housing Project Draft Time-Line



ITEM 116-1002-R0702

Bond Resolution

July 11-12, 2002

STATE OF MONTANA }
 } ss
COUNTY OF LEWIS AND CLARK }

The Board of Regents of Higher Education for the State of Montana held a lawful and regular meeting of the Board on the Campus of Dawson Community College in Glendive, Montana on _____, July ____, 2002, beginning at 10:00 a.m.

There were present at said meeting the following:

Present:

Chairman: _____

Other Regents: _____

_____ (student board member)

Absent:

There were also present at said meeting:

During said meeting, the following proceedings, among others, occurred:

The Regents introduced and considered and discussed the following resolution:

ITEM 116-1002-R0702- THE UNIVERSITY OF MONTANA

AUTHORIZATION TO PROCEED
AND
PRELIMINARY BOND RESOLUTION
FOR
STATE OF MONTANA
THE BOARD OF REGENTS OF HIGHER EDUCATION
THE UNIVERSITY OF MONTANA
FACILITIES IMPROVEMENT AND REFUNDING REVENUE BONDS
SERIES G 2002

A RESOLUTION PROVIDING FOR PRELIMINARY APPROVAL AND AUTHORIZATION FOR THE COMMISSIONER OF HIGHER EDUCATION FOR THE STATE OF MONTANA AND THE UNIVERSITY OF MONTANA TO PROCEED WITH PLANNING AND FINANCING FOR A STUDENT HOUSING COMPLEX FOR AND ON THE MISSOULA CAMPUS OF THE UNIVERSITY OF MONTANA AND, IN CONNECTION THEREWITH, DECLARING THE INTENTION OF THE BOARD TO ISSUE AND SELL AND GRANTING PRELIMINARY APPROVAL AND AUTHORIZATION FOR THE ISSUANCE, SALE AND DELIVERY OF THE STATE OF MONTANA, THE BOARD OF REGENTS OF HIGHER EDUCATION, THE UNIVERSITY OF MONTANA, FACILITIES IMPROVEMENT REVENUE BONDS, SERIES G 2002, IN A TOTAL PRINCIPAL AMOUNT NOT TO EXCEED \$18,950,000, FOR THE PURPOSE OF FINANCING SAID FACILITIES AND PROJECT AND TO PAY THE COSTS OF ISSUANCE OF THE SERIES G 2002 BONDS; AUTHORIZING, APPROVING AND DIRECTING THE PREPARATION OF A SUPPLEMENTAL INDENTURE OF TRUST TO THE MASTER INDENTURE OF TRUST FOR THE UNIVERSITY OF MONTANA, A BOND PURCHASE AGREEMENT AND OFFICIAL STATEMENT AND VARIOUS OTHER DOCUMENTS AND CERTIFICATES FOR THE SERIES G 2002 BONDS WHICH SHALL BE SUBMITTED TO THE BOARD FOR APPROVAL BY FINAL BOND RESOLUTION OF THE BOARD; MAKING DETERMINATIONS AS TO OTHER MATTERS RELATED TO SUCH FINANCING AND TO THE ISSUANCE OF THE SERIES G 2002 BONDS; AND REPEALING ACTION HERETOFORE TAKEN IN CONFLICT HEREWITH.

WHEREAS, The Board of Regents of Higher Education for the State of Montana (the "Board") has been vested with the government and control of, and has been granted full power, responsibility and authority to supervise, coordinate, manage and control, the Montana university system under Article X, Section 9 of the Constitution of the State of Montana, including, but not limited to, the power to issue, sell and deliver revenue bonds for the purpose of financing the costs of acquisition, construction, renovation, improvement, furnishing and equipping of capital improvements for the use and benefit of institutions of higher education within the Montana University System and to authorize the use and application of the proceeds of such bonds and certain funds and monies of the institutions for such purposes; and

WHEREAS, in the exercise of its constitutional powers, the Board has made provision for and has directed the administrative merger of various units of the Montana University System, whereby Western Montana College of The University of Montana, Dillon, Montana ("Western"), Montana College of Mineral Science and Technology, Butte, Montana ("Montana Tech") and Helena College of Technology, Helena, Montana ("Helena Tech") were designated to become and have in fact become a part of The University of Montana (with a primary campus also located in Missoula, Montana and herein the "Missoula Campus") and have been renamed and are now known as The University of Montana – Western, Montana Tech of The University of Montana and Helena College of Technology of The University of Montana, respectively, all in the manner and becoming effective as heretofore directed by the Board; and

WHEREAS, in connection with the issuance of certain revenue bonds for The University of Montana (herein, together with Western, Montana Tech and Helena Tech, sometimes collectively designated the "University") during November of 1993, the Board has approved and executed a Master Indenture of Trust (the "Master Indenture") for the University, pursuant to which certain revenues of the student housing systems and auxiliary and other facilities and certain student and other fees and income of the various institutions and campuses comprising the University are pledged for the payment of revenue bonds issued under and pursuant to the Master Indenture on behalf of and for the benefit of the various institutions and campuses comprising the University; and

WHEREAS, pursuant to and in the exercise of its constitutional powers and in conformity with the provisions made therefor in the Master Indenture as described above, the Board has determined to provide for and to give preliminary approval for the issuance of revenue bonds under the Master Indenture and a supplemental indenture thereto (the "Series G Supplemental Indenture," with the Master Indenture, the Series G Supplemental Indenture and all other indentures

supplemental to the Master Indenture being referred to herein as the "Indenture") in a total principal amount to be finally determined and approved by the Board, the proceeds of which are to be used for the purpose of financing the acquisition, construction, furnishing, equipping and improvement of a 216-unit student housing complex and facilities at and for the Missoula Campus of The University of Montana (the "Project") at a total current estimated project cost of \$18,950,000; and

WHEREAS, based on the foregoing, the Board has determined and does hereby determine pursuant to this resolution to provide preliminary approval and authorization for the issuance, sale and delivery of its revenue bonds designated "State of Montana, The Board of Regents of Higher Education, The University of Montana, Facilities Improvement and Refunding Revenue Bonds, Series G 2002" (the "Series G 2002 Bonds"), in an aggregate principal amount of not to exceed \$18,950,000 and to be in a final principal amount as shall be determined and approved by the Board, with the proceeds thereof to be used and applied for the purpose of providing funds to finance the costs of the Project, to pay certain costs and expenses in connection with the issuance of the Series G 2002 Bonds and, if required, to fund a reasonably required debt service reserve fund for and in connection with the issuance of the Series G 2002 Bonds; and

WHEREAS, in connection with the proposed issuance, sale and delivery of the Series G 2002 Bonds, the Board further authorizes and directs by this Resolution that there shall be prepared and presented before the Board at a lawful meeting thereof for final approval prior to the issuance of the Series G 2002 Bonds, (1) the Series G Supplemental Indenture to the Master Indenture of Trust, to be dated as provided therein and to be entered into between the Board and the trustee designated in the Indenture (the "Trustee"), (2) a Bond Purchase Agreement, to be dated the date of its execution (the "Bond Purchase Agreement"), and to be entered into and executed by the Board and the underwriters appointed by the Board and the University and designated therein, as the underwriters (collectively, the "Underwriter") for the Series G 2002 Bonds, and (3) a Preliminary Official Statement and a Final Official Statement for the Series G 2002 Bonds (collectively, the "Official Statement"), to be dated as of the respective dates of their approval by the Chairman of the Board and the Vice President of Administration and Finance of the University for use by the Underwriter, in connection with the offering, sale and delivery of the Bonds, and which is hereby authorized to be used and distributed by the Underwriter for such purpose; and

WHEREAS, the Board has determined to proceed with the formal preliminary approval of the Board for the issuance, sale and delivery of the Series G 2002 Bonds by the adoption of this resolution, and to provide for the authorization and direction for and for the preparation of the various documents required to be prepared in connection therewith.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF HIGHER EDUCATION FOR THE STATE OF MONTANA, AS FOLLOWS:

Section 1. Approval of Prior Action. All action (not inconsistent with the provisions of this Resolution) heretofore taken by the Board and directed toward the Project and the financing of the costs of the Projects and the issuance, sale and delivery of the Series G 2002 Bonds specifically for the purposes of paying the costs thereof, and any action heretofore taken pursuant thereto, be, and the same are hereby, ratified, approved and confirmed.

Section 2. Exercise of Powers to Issue Bonds. The Board does hereby declare its intention to exercise its constitutional powers and authority to supervise, coordinate, manage, govern and control the Montana University System through the issuance, sale and delivery of the Series G 2002 Bonds for the purposes herein set forth, all of which shall be undertaken by the Board pursuant to its authority under Article X, Section 9 of the Constitution of the State of Montana. By the issuance of the Series G 2002 Bonds, the Board and the University shall provide the funds required to finance the costs of the Project, to pay certain costs and expenses in connection with the issuance, sale and delivery of the Series G 2002 Bonds, and to fund (if required) the debt service reserve requirement pertaining thereto, all in accordance with the provisions hereof and of the Indenture herein described, inclusive of the Series G Supplemental Indenture which is authorized to be prepared and submitted to and which shall be delivered by the Board upon completion of the sale and delivery of the Series G 2002 Bonds.

Section 3. Authorization for Series G 2002 Bonds. To defray the costs of the Project, to finance and pay certain expenses incurred in connection with the issuance of the Series G 2002 Bonds and to fund (if required) a debt service reserve requirement for the Series G 2002 Bonds, there is hereby authorized and created an issue of revenue bonds of the Board to be designated "State of Montana, The Board of Regents of Higher Education, The University of Montana, Facilities Improvement Revenue Bonds, Series G 2002" issuable as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof, to be dated as provided in the Indenture, to bear interest from their date at the rates and to mature on the dates, in the years and in the principal amounts as shall be set forth in the Indenture.

The Series G 2002 Bonds are currently expected to be issued in an amount of not to exceed \$18,950,000, and shall be in such final, authorized principal amount as shall be finally determined and approved by the Board, and the proposed net effective rate of interest payable on the Series G 2002 Bonds shall not exceed the net effective interest rate approved by the Board, and upon and by the execution of the Bond Purchase Agreement, the principal amount of the Series G 2002 Bonds and the net effective interest rate therefor shall be confirmed by the Chairman of the Board and the Vice President of Administration and Finance of the University as being within the maximum limits established therefor by the Board pursuant to the final resolution of the Board authorizing and approving the Series G 2002 Bonds.

The Series G 2002 Bonds shall be payable, shall be subject to redemption prior to maturity and shall be in substantially the form provided in the Indenture.

Section 4. Preparation of Documents. The Board hereby authorizes and directs that the Series G Supplemental Indenture, the Bond Purchase Agreement, the Official Statement and other documents required for the issuance of the Series G Bonds shall be prepared for submission to the Board for its final approval

Section 5. Provisions of Series G 2002 Bonds and Execution. The form, terms and provisions of the Series G 2002 Bonds shall be set forth in the Series G 2002 Supplemental Indenture which is to be approved by the Board. Upon such approval, the Chairman of the Board shall be authorized and directed to execute the Series G 2002 Bonds, either by manual or facsimile signature, and the Secretary of the Board shall be authorized and directed to attest, either by manual or facsimile signature, such signature on the Series G 2002 Bonds and the seal of the Board, or a facsimile thereof, shall be authorized and directed to be affixed to the Series G 2002 Bonds.

Section 6. Resolution Contract. In consideration of the purchase and acceptance of the Series G 2002 Bonds by those who shall own the same from time to time following the date of original issuance of the Series G 2002 Bonds, the provisions of this Resolution shall be part of the contract of the Board with the Registered Owners from time to time of the outstanding Series G 2002 Bonds.

Section 7. Authorization for Further Action. The members and officers of the Board shall take all action in conformity with the Constitution and law of the State of Montana and this Resolution which shall be necessary or reasonably required to effectuate the provisions of this Resolution and shall take all other action necessary or desirable, and in conformity with the Constitution and law of the State of Montana and this Resolution, to provide for and complete the financing for the Project, including without limitation, the preparation and completion of the Series G Supplemental Indenture, the Bond Purchase Agreement, the Official Statement and all closing documents, certificates and opinions authorized or required to be delivered in connection with the issuance, sale and delivery of the Series G 2002 Bonds.

Section 8. Resolution Irrepealable. After any of the Series G 2002 Bonds are issued, this Resolution shall be and remain irrepealable until the Series G 2002 Bonds and the interest thereon shall have been fully paid, canceled and discharged in the manner provided in the Indenture.

Section 9. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

Section 10. Repealer. All bylaws, orders and resolutions, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order or resolution or part thereof.

Section 16. Effective Date. This Resolution shall be in full force and effect upon its passage and approval.
PASSED, ADOPTED AND APPROVED THIS ____ day of July, 2002.

THE BOARD OF REGENTS OF HIGHER
EDUCATION for the State of Montana

By _____
Chairman

(S E A L)

ATTEST:

Secretary

At a regular meeting of The Board of Regents of Higher Education for the State of Montana, held on the ____ day of July, 2002, the foregoing Resolution was moved for adoption, the same was put to a vote, and on roll call, the following vote was recorded:

Those Voting Aye: _____

_____ (student board member)

Those Voting Nay: _____

Those Absent: _____

Not less than a majority of The Board of Regents of Higher Education present having voted in favor of the motion, the presiding officer declared the motion carried and the Resolution duly passed and adopted.

Thereupon, The Board of Regents of Higher Education considered other matters not concerning the Series G 2002 Bonds and the Project described in the foregoing Resolution.

