



STATEMENT OF DEBT POLICIES, Guidelines and Objectives

PURPOSE

The Debt Plan of Montana State University Foundation, Inc. (the "Foundation") is being established to facilitate a clear understanding of the use of debt obligations by the Foundation among the Foundation's Board of Directors (the "Board"), the Budget and Audit Committee (the "Committee") and other interested parties. It also sets forth the guidelines and restrictions to be followed upon the incurrence of new or additional debt obligations. It is the intent of this plan to be both sufficiently specific to be meaningful and flexible enough to be practical.

The Committee has been assigned the responsibility to oversee the fiscal affairs of the Foundation, and is hereby assigned the specific responsibility to review and recommend any proposed use of debt to the Board. The Committee is also assigned the ongoing periodic review of all debt obligations and opportunities and responsibilities associated therewith. The Board must duly authorize any debt incurrence.

Debt Plan:

The following debt plan has been adopted by the Foundation and may be amended as necessary from time to time:

POLICY

The Debt Policy of Montana State University Foundation, Inc. shall provide for fiscal integrity and long-term financial stability in any use of either long-term or short-term debt obligations that are either a direct or contingent liability of the Foundation. These policy objectives will be achieved through careful evaluation of the need for, costs associated with and benefits derived from the use of debt by the Foundation, consistent with prudent fiduciary management.

Objectives and Guidelines:

- The use of debt shall only be considered by the Foundation whereby such use clearly supports the mission of the Foundation;
- Use of a short-term line of credit for Foundation cash flow purposes is generally not desirable and will be used only in the most unusual circumstances;
- Debt shall only be used to acquire specific assets that are measurably greater in value than the amount of debt being incurred;

- Assets to be acquired by debt proceeds shall be real or personal property, financial or other tangible assets, the valuation of which is verified by an independent third party;
- Debt shall only be incurred when a specific plan of finance has been approved by the Committee whereby one or more reliable sources of income are identified and earmarked for the proposed debt repayment;
- Such repayment source(s) must be found by the Committee to be measurably more than adequate to cover the expected principal and interest requirements of the proposed debt;
- Debt obligations can be either fixed or variable interest structures but when variable the associated repayment sources must be found to adequately match the expected variation in potential interest costs;
- The use of interest rate caps, collars or swaps can be employed upon careful due diligence and analysis of the Committee, provided that such derivative instrument(s) is only used in direct connection with a specific Foundation debt instrument and is recommended by the Committee and approved by the Board;
- As a general guideline the Foundation's total amount of long-term debt (per generally accepted accounting principles) shall not be greater than 35% of the total capitalization of the Foundation whereby total capitalization is computed as the sum of unrestricted net assets plus outstanding long-term debt before consolidation of the Foundation's for-profit subsidiary ATI, Inc.

PROCEDURES

Monitoring

The Committee shall at least annually evaluate each Foundation debt obligation, its terms and conditions, and make any appropriate recommendations relative to debt management, refinancing, etc. The Committee shall review the identified sources of repayment and verify the adequacy and stability of such for each associated debt obligation. The Committee shall report annually to the Board on its monitoring responsibilities relative to Foundation debt.

Additions, Modifications

This Statement of Debt Policy may be altered or amended at any time by the Board of Directors of the Foundation.