STATE BOARD OF EDUCATION SPECIAL MEETING
Monday, January 8, 2007 – 9:00 a.m. MT; 8:00 a.m. PT
Len B. Jordan Building
650 West State Street
Basement Conference Room
Boise, Idaho

Monday, January 8, 2007 – 9:00 a.m. MT; 8:00 a.m. PT

1. Call to Order / Agenda Approval

EXECUTIVE SESSION (Closed to the Public).

Pursuant to Idaho Code Section 67-2345(1), the State Board of Education may meet in executive session to discuss one or more of the following:

(a) to consider hiring a public officer, employee, staff member or individual agent. This paragraph does not apply to filling a vacancy in an elective office;
(b) to consider the evaluation, dismissal or disciplining of, or to hear complaints or charges brought against a public officer, employee, staff member or individual agent, or public school student;
(c) to conduct deliberations concerning labor negotiations or to acquire an interest in real property which is not owned by a public agency;
(d) to consider records that are exempt by law from public inspection;
(f) to consider and advise its legal representatives in pending litigation or where there is a general public awareness of probable litigation.

EXECUTIVE SESSION ITEMS MAY BE DISCUSSED AND ACTED UPON, IF APPROPRIATE, IN OPEN SESSION.

Business Affairs & Human Resources - Finance

1. Boise State University – Construction Approval for Press Box/Sky Suites
2. Boise State University - Bonding for Student Health/Wellness/Nursing Center and Student Union Expansion
3. University of Idaho - Research Dairy
4. Idaho State Historical Society - Agency Operations
5. Office of the State Board of Education - Deaf Transition Committee Staffing

STATE BOARD OF EDUCATION
650 W. State Street • P. O. Box 83720 • Boise, ID 83720-0037
208/334-2270 • FAX: 208/334-2632
www.boardofed.idaho.gov

Instruction, Research & Student Affairs

1. Opportunity Scholarship Legislation
2. Loan Forgiveness Scholarship Legislation
3. North Idaho Corridor

Department of Education

1. Trustee Appointments for Grangeville and Riggins

OTHER / NEW BUSINESS

If auxiliary aids or services are needed for individuals with disabilities, please contact the Board office at 334-2270 no later than two days before the meeting. While the Board attempts to address items in the listed order, some items may be addressed by the Board prior to or after the order listed.

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TAB	DESCRIPTION	ACTION
1	**BOISE STATE UNIVERSITY** Press Box/Sky Suites	Motion to approve
2	**BOISE STATE UNIVERSITY** Bonding for Press Box/Sky Suites, Student Health Center, Student Union Expansion	Motion to approve
3	**UNIVERSITY of IDAHO** Research Dairy	Motion to approve
4	**IDAHO STATE HISTORICAL SOCIETY** Agency Operations	Motion to approve
5	**OFFICE OF THE IDAHO STATE BOARD OF EDUCATION** Deaf Transition Committee Staffing	Motion to approve

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INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY

SUBJECT

Boise State University requests approval to proceed with construction of the Press Box/Stadium Sky Suite facility at Bronco Stadium for a total project budget not to exceed $35.9 million, subject to final approval of financing at a future Board meeting.

REFERENCES

January 2005	Information item to discuss the feasibility analysis of the proposed stadium expansion projects completed by Conventions Sports and Leisure International.
March 2005	SBOE approval for Boise State to market the lease of Sky Suites and Club Seats.
December 2005	SBOE approval to procure architectural services, not to exceed $900,000, to complete preliminary design and programming through design development for a design-build project for the addition of a Press Box/Sky Suite facility to Bronco Stadium.
October 2006	Information item to provide a project update and financing plans for the Press Box/Sky Suite facility.
November 2006	Information item to provide a project update and financing plans for the Press Box/Sky Suite facility.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies and Procedures, Sections V.B.8-9 and V.K.
Sections 33-3804, 67-5710, 67-5710A, 67-5711-C, Idaho Code

BACKGROUND

In March 2005 the State Board of Education approved the request for Boise State University to proceed with the solicitation process for Sky Suites, Club Seats, and donations for the Press Box/Sky Suite expansion. In December of 2005, the Board authorized Boise State to select a design/build team and proceed with design of the facility through the design development phase, for a maximum fee of $900,000. Working with the Division of Public Works (DPW), a design/build team was selected in May 2006, and work is proceeding on the design of the facility.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

DISCUSSION

The Design/Build team of FFKR Architects and Layton Construction from Salt Lake City, Utah, is working with DPW and Boise State staff from the Athletic Department and Architectural and Engineering Services to design the new facility. Design development documents and an updated cost estimate have been completed. The final design of the facility includes four elevated levels to provide state-of-the-art media accommodations for written press, radio, and television; 38 Sky Suites for up to 16 spectators each (33 leaseable suites); club seating for 787 (685 leaseable seats); a level of loge seating for up to 172; club room, dining facilities, and catering support spaces for each new level, and additional restroom and concession facilities.

The loge seating level was added to capitalize on an opportunity presented by the overhang of the Press Box/Sky Suite facility above the existing west grandstand. This outdoor, covered space has become a popular seating venue in similar facilities and provides premium seating at a reduced price. Spectators have the option of choosing a boxed seat with individual video replay screen and moveable seat, or a premium theater style seat, each with access to the associated club space.

The project also includes significant improvements at the ground level and in the existing upper concourse serving the west grandstand. Ground level facilities will include support for the Press Box/Sky Suite levels with a full commercial kitchen for catering football games and other events, a new ticket office, a retail outlet for Bronco apparel and novelties, elevator lobbies for the Press and Sky Suite levels, and mechanical and storage support spaces.

The structural footprint for the new Sky Suite facility dictates removal of the existing Press Box elevator and pedestrian ramp serving the west upper concourse. New pedestrian stairs and ticketing gates will be constructed at the ground level along with a new ramp for service vehicles.

The construction of the ground level spaces beneath the Sky Suite structure along with the new stair and ramp configuration created a unique opportunity to upgrade the inadequate facilities at the west upper concourse. By expanding the upper concourse out over the new ground level facilities, new space is created to replace the concession and restroom spaces built in 1970. The two existing concessions will be replaced with five new concession, prep and storage space. The existing non-compliant restrooms will be replaced with expanded facilities meeting current code requirements for number and type of fixtures as well as accessibility for the disabled. Access for the disabled will be improved with stops at this level provided by the four passenger elevators serving the Press Box/Sky Suites facility. A detailed listing of function by level is included as Attachment 4.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

Athletic department development staff members have had a great deal of success in marketing efforts for the new seating venues. To date the university has commitments for 29 of 33 leasable Sky Suites, 410 of 685 leasable club seats, and all 43 loge level boxes (172 seats).

All of the originally approved program elements have been satisfied with the design development documents developed to date. Expanded program elements have also been incorporated within the original preliminary budget range presented to the Board in December of 2005. These additional program elements will provide additional revenue opportunities with the creation of expanded retail venues and a larger variety of seating price levels.

IMPACT

The design/build team design development phase contract amount is $32,601,000. With the additional project costs associated with DPW and university expenses, a total project budget of $35,900,000 has been determined. This figure includes the $900,000 previously approved by the Board for programming, preliminary design, design development and construction loan and financing costs of up to approximately $2,500,000.

The Athletics Department will provide $1,200,000 (cash) for replacement of existing parking lost to the expanded footprint of this facility within the west stadium parking lot. In addition, Athletics is currently budgeting $1,270,000 for fixtures and furniture to be funded from a separate funding source, subject to Board approval at a future date. These amounts are not included in the project budget and will not be included in the debt financing. However, the Athletics Department has agreed to provide funding for replacement parking when the Board approves the next parking structure for construction.

The University will issue $28 million in debt to finance the construction of this facility using project revenues as a repayment source. Project revenues are defined as lease revenues for the suites, seats, and loge boxes. The Athletics Department has agreed to raise $6 million in cash prior to commencing construction. In addition, they have agreed to provide an annual contribution to the Academic Capital Projects Fund from project revenues to contribute to future academic building projects and to rebuild debt capacity for future borrowing. Initially, this contribution is $600,000 per year and will increase by $100,000 every five years for the life of the loan which totals $25.5 million over 30 years. Finally, other project revenues are identified to cover the operating expenses of the facility. A detailed project cash flow analysis is provided in Attachment 5.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

ATTACHMENTS

Attachment 1 – Project Budget Page 5
Attachment 2 – Capital Project Tracking Sheet Page 6
Attachment 3 – Programming Summary Page 7
Attachment 4 – Detailed Listing of Function by Level Page 9
Attachment 5 – Cash Flow Analysis for Stadium Expansion Project Page 11

STAFF COMMENTS AND RECOMMENDATIONS

Seat prices in the Club, Loge and Sky Suites sections are projected to increase by 12.5% every five years beginning in FY 2013, and the University has reduced projected occupancy from 100% to 85% beginning in FY 2013. The university's projections show the University can maintain a Seat Revenues to Debt Service ratio of 1.2 while including the annual contribution to the Academic Capital Projects Fund (ACPF) which reaches $25.5 million over 30 years.

BSU has determined that at 65% occupancy, the University would still be able to maintain a 1.2 X debt service ratio, but this would negate the contribution to the Academic Capital Projects Fund, and an occupancy rate of 55% would only cover debt service alone.

The University has already obtained commitments for 88% of the leaseable Sky Suites, 60% of the Club Seats, and 100% of the Loge level boxes. The University has used conservative assumptions and it appears the project would be viable even if occupancy rates were dramatically lower in the future.

Staff recommends approval.

BOARD ACTION

A motion to approve Boise State University's request to proceed with construction of the Press Box/Stadium Sky Suite facility at Bronco Stadium and to authorize the Division of Public Works to award a design-build contract to FFKR Architects and Layton Construction for a total project budget not to exceed $35.9 million. The University may not proceed with construction of this project prior to Board approval to issue debt.

Moved by _____ Seconded by_____ Carried Yes _____ No _____

[NOTE: motion must be approved by a majority of the members of the Board – the Board's Bylaws provide for approval with a roll-call vote.]

[NOTE: Upon action by Board, DPW will be advised to immediately execute contract for construction.]

Attachment 1

PROJECT BUDGET WORKSHEET

PROJECT NUMBER: DPW No. 06212

PROJECT TITLE: PRESS BOX/SKY SUITES ADDITION

DATE: 12/18/2006

CATEGORY		ESTIMATED BUDGET
Construction (DPW Budget)		$33,320,000
Design Build Contract	$32,601,000	
Construction Testing	$75,000	
Functional Testing	$20,000	
Plan Review	$75,000	
Advertising	$100	
Project Contingency (2.2%)	$548,900	
Boise State University Services		$80,000
IT Connections	$50,000	
Locksmith	$5,000	
Signage	$25,000	
Construction debt service and loan closing costs		$2,500,000
TOTAL PROJECT BUDGET		**$35,900,000**

Office of the Idaho State Board of Education
Capital Project Tracking Sheet
December 2006

Attachment 2

History Narrative

1 **Institution/Agency:** Boise State University **Project:** Construction of Press Box/Sky Suites facility at Bronco Stadium
2 **Project Description:** Complete design and construction of the Press Box/Sky Suite facility at Bronco Stadium.

3 **Project Use:** Press Box, Sky Suites for media, coaches and suite/seat renters/lessees, and a stadium club room to seat approximately 500.
4 **Project Size:** This will be a four story structure above Bronco Stadium, totaling 131,272 s.f.

	Sources of Funds				Use of Funds			
	PBF	ISBA	Other *	Total Sources	Planning	Use of Funds Const	Other	Total Uses
Initial Cost of Project	$ -	$ -		$ 900,000	$ 900,000			$ 900,000
Design/Construction Costs				$35,000,000		$33,400,000	$2,500,000	35,900,000
Total Project Costs	$ -	$ -	$ -	$35,900,000	$ 900,000	$ 33,400,000	$ 2,500,000	$ 36,800,000

				----------* Other Sources of Funds----------|				
History of Funding:	PBF	ISBA	Institutional Funds	Student Revenue	Other	Total Other	Total Funding
Dec-05	$ -	$ -			$ 900,000	$ 900,000	$ 900,000
Nov-06					35,000,000	$ 35,000,000	$ 35,000,000
					-	-	-
Total	$ -	$ -	$ -	$ -	$ 35,900,000	$ 35,900,000	$ 35,900,000

	PROGRAM SUMMARY BY LEVEL	Attachment 3
	Department/Use	Proposed Program Gross Square Footage
1	**Athletics - Pressbox/Skysuites**	
2	**Ground level**	**21,506**
3	Bronco Shop	2,262
4	Ticket Office	3,396
5	Kitchen Commissary	3,758
6	MW Locker	678
7	TV Equipment	2,966
8	Ushering	676
9	Lobby Space	2,308
10	Unassigned Spaces	5,462
11	**Concourse level**	**12,436**
12	Concession	4,280
13	Novelty Retail	618
14	Restrooms	4,652
15	Unassigned Spaces	2,886
16	**Loge Level**	**20,790**
17	Loge - Interior	15,030
18	Loge - Exterior	4,306
19	Unassigned Spaces	1,454
20	**Club Level**	**27,082**
21	Club - Interior	18,996
22	Club - Seat	6,640
23	Unassigned Spaces	1,446
24	**Suite Level**	**23,540**
25	Suite Level - Interior	12,478
26	Suites	9,608
27	Unassigned Spaces	1,454
28	**Press Level**	**25,918**
29	Press Interior	15,076
30	Press / Suites	9,350
31	Unassigned Spaces	1,492
32	**Total Square Footage**	
33	Ground Level	21,506
34	Concourse Level	12,436
35	Loge Level	20,790
36	Club Level	27,082
37	Suite Level	23,540
38	Press Level	25,918
39		
40	**ESTIMATED BUILDING GROSS SQUARE FEET**	**131,272**

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Attachment 4

Detailed Listing of Function by Level

The following is a level-by-level recap of the spaces and amenities planned for the new facility, starting with the top level:

Press Level:

- Seating for up to 70 print media journalists
- 4 radio broadcast suites (both home and visiting team)
- 1 television media suite
- Home and visiting team coaches suites
- Game operations & security suite
- Public address suite
- 9 Sky Suites for lease
- Individually operable windows for each viewing area
- Press work room
- Dining area /multi-use space with seating for up to 325
- Service by 4 passenger elevators and 1 freight elevator
- Warming kitchen & concession
- Restrooms and support spaces

Suite Level:

- 24 Sky Suites for lease with individually operable windows & climate control
- Beverage bar with seating for 30
- Service by 4 passenger elevators and 1 freight elevator
- Warming kitchen & concession
- Restrooms and support spaces

Club Seating Level:

- 685 club seats with operable windows for lease
- Beverage bar
- Dining area / multi-use space with seating for up to 500
- Service by 4 passenger elevators and 1 freight elevator
- Warming kitchen & concession
- Restrooms and support spaces

Loge Seating Area:

- 172 Box seats with video replay
- 3 video decks for television production
- Beverage bar & dining area with seating for 200
- Service by 4 passenger elevators and 1 freight elevator
- Warming kitchen & concession
- Restrooms and support spaces

West Grandstand Upper Concourse:

- 5 new concession venues
- 2 new female restrooms with 56 fixtures
- New male restroom with 36 fixtures
- Security, guest services, and first aid rooms
- Expanded concourse area for spectator circulation
- New access stairs and ramp
- Service by 4 passenger elevators and 1 freight elevator
- Outdoor plaza space for retail venues

Ground Level:

- New access stairs and ticketing gates at expanded pedestrian plaza
- Elevator lobbies for Press Box/Sky Suite access and access for the disabled
- Athletic ticket office
- Apparel & novelty “Bronco Shop”
- Commercial kitchen & commissary
- 4 truck bays for deliveries and television production vehicles
- Storage rooms
- Employee facilities for kitchen, wait, and usher staff
- Mechanical and electrical utility spaces

BOISE STATE UNIVERSITY
CASH FLOW ANALYSIS FOR STADIUM EXPANSION PROJECT
December 18, 2006

	REVENUES	Note	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Yr 11-15	Yr 16-20	Yr 21-25	Yr 26-30	30 Year Total
2	Project Revenues from New Seating Leases:																
3	Club		1,470,251	1,429,251	1,429,251	1,429,251	1,429,251	1,617,551	1,617,551	1,617,551	1,617,551	1,617,551	8,986,394	9,885,033	10,783,673	11,682,312	56,612,421
4	Sky Suites (12)		558,456	558,456	558,456	558,456	558,456	628,263	628,263	628,263	628,263	628,263	4,075,138	4,482,651	4,890,165	5,297,679	24,679,228
5	Sky Suites (19)		781,109	781,109	781,109	781,109	781,109	878,748	878,748	878,748	878,748	878,748	4,881,931	5,370,124	5,858,318	6,385,566	30,795,222
6	Loge (42)		500,520	443,520	443,520	443,520	443,520	523,908	523,908	523,908	523,908	523,908	3,274,425	3,929,310	3,929,310	4,256,753	20,283,938
7	Potential Seat Revenues from Addition	1	3,310,336	3,212,336	3,212,336	3,212,336	3,212,336	3,648,470	3,648,470	3,648,470	3,648,470	3,648,470	21,217,888	23,667,119	25,461,465	27,622,309	132,370,808
9	Estimated Seat Revenue	2	3,310,336	3,212,336	3,212,336	3,212,336	3,212,336	3,101,199	3,101,199	3,101,199	3,101,199	3,101,199	18,035,204	20,117,051	21,642,245	23,478,963	114,939,139
10	Debt Service	3	(2,100,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(12,500,000)	(74,600,000)
11	Net of seating revenues and debt service		1,210,336	712,336	712,336	712,336	712,336	601,199	601,199	601,199	601,199	601,199	5,535,204	7,617,051	9,142,245	10,978,963	40,339,139
12	Academic Capital Project Fund (ACPF) Contribution	4	(600,000)	(600,000)	(600,000)	(600,000)	(600,000)	(700,000)	(700,000)	(700,000)	(700,000)	(700,000)	(4,000,000)	(4,500,000)	(5,000,000)	(5,500,000)	(25,500,000)
13	Athletic Seat Revenues from Addition		610,336	112,336	112,336	112,336	112,336	(98,801)	(98,801)	(98,801)	(98,801)	(98,801)	1,535,204	3,117,051	4,142,245	5,478,963	14,839,139
14	Cumulative Seat Revenues from Addition		610,336	722,672	835,008	947,344	1,059,680	960,879	862,078	763,277	664,476	565,675	2,100,880	5,217,931	9,360,176	14,839,139	14,839,139
15																	
16	Other Revenues available for project if needed:																
17	New U Club in Stadium	5	515,000	515,000	515,000	515,000	515,000	612,500	612,500	612,500	612,500	612,500	3,550,000	4,037,500	4,525,000	4,525,000	22,275,000
18	Facilities Rental Revenue	6	50,000	50,000	50,000	50,000	50,000	121,665	121,665	121,665	121,665	121,665	1,110,183	1,110,183	1,110,183	1,110,183	5,299,059
19	Total Non-seat Revenue Sources		565,000	565,000	565,000	565,000	565,000	734,165	734,165	734,165	734,165	734,165	4,660,183	5,147,683	5,635,183	5,635,183	27,574,059
20																	
21	Total Identified Revenues Net of Debt Service and ACPF		1,175,336	677,336	677,336	677,336	677,336	635,364	635,364	635,364	635,364	635,364	6,195,388	8,264,734	9,777,428	11,114,146	42,413,198
22																	
23	Operating Expenses:																
26	Maintenance	7	25,074	26,077	27,120	28,205	29,333	47,449	49,347	51,321	53,373	55,508	415,557	505,589	615,126	732,188	2,661,267
29	Custodial	8	8,736	9,085	9,448	9,826	10,219	16,531	17,192	17,880	18,595	19,339	144,776	176,143	214,304	260,734	932,808
32	Utilities	9	21,205	22,053	22,935	23,853	24,807	40,127	41,732	43,402	45,138	46,943	351,435	427,575	520,210	632,915	2,264,331
33	Capital	10	5,000	5,000	5,000	60,000	5,000	130,000	190,000	130,000	190,000	130,000	710,000	2,650,000	1,950,000	1,950,000	8,110,000
34	Salaries	11	125,000	130,000	135,200	140,608	146,232	204,082	212,245	220,735	229,564	238,747	1,626,503	1,978,889	2,407,621	2,929,239	10,724,665
35	Food Service	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
36	Estimated Operating Expense		214,956	223,354	232,088	296,171	250,618	494,847	569,440	524,618	600,403	556,819	3,744,482	6,341,912	6,441,775	7,398,725	27,890,209
37																	
38	Net Revenue		960,380	453,982	445,248	381,165	426,718	140,518	65,924	110,746	34,962	78,545	2,450,905	1,922,822	3,335,653	3,715,421	14,522,989
39	Cumulative for Athletics	13	960,380	1,414,363	1,859,611	2,240,776	2,667,493	2,808,011	2,873,935	2,984,681	3,019,643	3,098,188	5,549,093	7,471,916	10,807,569	14,522,989	14,522,989

BOISE STATE UNIVERSITY
PROJECTED REVENUE FOR STADIUM EXPANSION PROJECT
December 18, 2006

Assumptions:

1 Sales represent 100% sold. As of November 30th, 312 of 685 club seat sold, 27 of 31 suites sold, 32 of 43 loge sold with 18 months remaining to sell inventory. Sales figures are averaging various contract lengths and rates in this model.

2 Premium seats assumed to be 100% sold in first five years and 85% sold in subsequent years. 83% occupancy in all years would generate enough funds for the model to support 1.2x debt service plus the proposed ACPF. 65% occupancy would generate enough funds to support 1.2x debt service. 55% occupancy would generate enough funds to support debt service alone.

3 Financing vehicle is University Bond, using a general pledge of all revenues. Debt service includes 1.2 coverage reserve. Amount assumes 6% rate and 100% taxable issuance. Current rates would be 5.4% so assumptions are conservative.

4 ACPF would be used for academic capital projects to offset reduced debt capacity of the general revenue pledge.

5 The project will create 3 rows of covered seating on the west side of the stadium that may be sold at premium prices.

6 Facilities Rental will be generated from three 5,000 to 5,600 areas available for rental. Assumed to be rented for 50 events in initial year at $1,000 per event. 100 events assumed in 6th year and 150 events assumed in 11th year. 4% annual escalation factor applied in year 6 and 11.

7 Maintenance is based on per foot per day cost in Student Union.

8 Custodial is based on per foot per day cost in Student Union.

9 Utilities are based on per foot per day cost in Student Union.

10 All furniture is expected to be replaced twice during life of loan. Kitchen equipment is expected to be replaced every 15 years. Amounts are allocated to renovate suites after each initial term expires.

11 Salaries escalate 4% per year and additional staff is added in year 6 and 11 when events are increased.

12 Food service is expected to break even as catering will be charged to the events. The only revenue generated off events is the rent included in assumption 9..

13 Remaining revenues will be available to Athletics for other initiatives including gender equity

14 Certain other revenues are currently allocated to Athletics debt for the 1996 Stadium expansion and the 2004 Indoor Practice Facility. As the related debt is paid, those funds could be diverted to this debt if occupancy does not hold strong.

Comments:

The purpose of this model is to show the viability of the project including:

That the seat revenues should cover debt service at 1.2X bond interest, and a significant contribution to academics.

That should Athletics fall short on seat revenues, there are other sources to cover expenses.

That operating expenses have been considered and can be absorbed.

The cumulative amount available to athletics for use on other initiatives for excellence.

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

8. Major Capital Improvement Project -- Budget Requests

For purposes of Item 8., the community colleges (NIC and CSI), the State Historical Society, and the State Library are included, except as noted in V.B.8.b. (2).

a. Definition

A major capital improvement is defined as the acquisition of an existing building, construction of a new building or an addition to an existing building, or a major renovation of an existing building. A major renovation provides for a substantial change to a building. The change may include a remodeled wing or floor of a building, or the remodeling of the majority of the building's net assignable square feet. An extensive upgrade of one (1) or more of the major building systems is generally considered to be a major renovation.

b. Preparation and Submission of Major Capital Improvement Requests

(1) Permanent Building Fund Requests

Requests for approval of major capital improvement projects to be funded from the Permanent Building Fund are to be submitted to the Office of the State Board of Education on a date and in a format established by the executive director. Only technical revisions may be made to the request for a given fiscal year after the Board has made its recommendation for that fiscal year. Technical revisions must be made prior to November 1.

(2) Other Requests

Requests for approval of major capital improvement projects from other fund sources are to be submitted in a format established by the executive director. Substantive and fiscal revisions to a requested project are resubmitted to the Board for approval. This subsection shall not apply to the community colleges.

c. Submission of Approved Major Capital Budget Requests

The Board is responsible for the submission of major capital budget requests for the institutions, school and agencies under this subsection to the Division of Public Works. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

9. Approval by the Board

Requests for approval of major capital improvement projects must be submitted for Board action. Major capital improvement projects, which are approved by the Board and for which funds from the Permanent Building Fund are requested, are placed in priority order prior to the submission of major capital budget requests to the Division of Public Works.

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

K. Construction Projects

1. Major Project Approvals - Proposed Plans
   Without regard to the source of funding, before any institution, school or agency under the governance of the Board begin formal planning to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. All projects identified on the institutions', school's or agencies' six-year capital plan must receive Board approval.

2. Project Approvals
   Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to be between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000), must first be submitted to the executive director for review and approval. Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities or construction of new facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. Project cost must be detailed by major category (construction cost, architecture fees, contingency funds, and other). When a project is under the primary supervision of the Board of Regents or the Board and its institutions, school or agencies, a separate budget line for architects, engineers, or construction managers and engineering services must be identified for the project cost. Budgets for maintenance, repair, and upkeep of existing facilities must be submitted for Board review and approval as a part of the annual operating budget of the institution, school or agency.

3. Fiscal Revisions to Previously Approved Projects
   Project revisions that substantially alter the use of the project causing changes in project costs between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) must first be submitted to the executive director for review and approval. Changes in project costs of more than five hundred thousand dollars ($500,000) must first be submitted to the Board for its review and approval. Requests must be supported by a revised detailed project budget and justification for changes.

4. Project Acceptance

   Projects under the supervision of the Department of Administration are accepted by the Department on behalf of the Board and the state of Idaho. Projects under the supervision of an institution, school or agency are accepted by the institution, school or agency and the project architect. Projects under the supervision of the University of Idaho are accepted by the University on behalf of the Board of Regents.

5. Statute and Code Compliance

   a. All projects must be in compliance with Section 504 of the Rehabilitation Act of 1973 and must provide access to all persons. All projects must be in compliance with applicable state and local building and life-safety codes and applicable local land-use regulations as provided in Chapter 41, Title 39, and Section 67-6528, Idaho Code.

   b. In designing and implementing construction projects, due consideration must be given to energy conservation and long-term maintenance and operation savings versus short-term capital costs.

REFERENCE – APPLICABLE STATUTE, RULE OR POLICY – continued

IDAHO STATUTES

TITLE 33
EDUCATION
CHAPTER 38
STATE INSTITUTIONS OF HIGHER EDUCATION BOND ACT

33-3804. POWERS AND DUTIES OF STATE INSTITUTIONS.

Every institution shall have power in its proper name as aforesaid:

(a) To have a corporate seal and alter the same at pleasure;
(b) To sue and be sued;
(c) To acquire by purchase, gift or the exercise of the right of eminent domain and hold and dispose of real or personal property or rights or interests therein and water rights;
(d) To make contracts and to execute all instruments necessary or convenient;
(e) To acquire any project or projects, and to own, operate, and maintain such project;
(f) To accept grants of money or materials or property of any kind from a federal agency, upon such terms and conditions as such federal agency may impose;
(g) To borrow money, with or without the issuance of bonds and to provide for the payment of the same and for the rights of the holders of such bonds and/or of any other instrument of such indebtedness, including the power to fix the maximum rate of interest to be paid thereon and to warrant and indemnify the validity and tax exempt character;
(h) To perform all acts and do all things necessary or convenient to carry out the powers herein granted, to obtain loans or grants or both from any federal agency, and to accomplish the purposes of sections 33-3801--33-3813, Idaho Code, and secure the benefits of the Recovery Act;
(i) To issue refunding bonds, for the purpose of paying, redeeming, or refunding any outstanding bonds theretofore issued under authority of this chapter. Refunding bonds so issued shall have such details, shall bear such rate or rates of interest and shall be otherwise issued and secured as provided by the board authorizing the issuance of such bonds and as otherwise provided in this chapter, provided, however, that such changes in the security and revenues pledged to the payment thereof may be made by such board as may be provided by it in the proceedings authorizing such bonds, but in no event shall such refunding bonds ever be secured by revenues not authorized by this chapter to be pledged to the payment of bonds issued for other than refunding purposes. Refunding bonds issued hereunder may be exchanged for a like principal amount of the bonds to be refunded, may be sold in the manner provided in this chapter for the sale of other bonds, or may be exchanged in part and sold in part. If sold, the proceeds of such bonds may be deposited in escrow for the payment of the bonds to be refunded, provided such bonds mature or are callable for redemption under their terms within six (6) months from the date of the delivery of the refunding bonds.

No refunding bonds may be issued hereunder in a principal amount in excess of the principal amount of the bonds to be refunded nor may any bonds not maturing or callable for redemption under their terms as above provided be refunded hereunder without the consent of the holders thereof. Refunding bonds so authorized and issued may in the discretion of the board be combined with other bonds to be authorized and issued under this chapter, and a single issue of bonds may be so authorized in part for improvement and in part for refunding purposes.

(j) In connection with borrowing without the issuance of bonds, to fix fees, rents or other charges for utilization of any facility or project being financed by said borrowing and to pledge the same, together with any other revenue from such project or facility, as collateral for repayment of principal and interest in the same manner and to the same extent as provided in this chapter for securing the payment of bonds issued pursuant to this chapter.

REFERENCE – APPLICABLE STATUTE, RULE OR POLICY – continued

IDAHO STATUTES

TITLE 67
STATE GOVERNMENT AND STATE AFFAIRS
CHAPTER 57
DEPARTMENT OF ADMINISTRATION

67-5710. PERMANENT BUILDING FUND ADVISORY COUNCIL -- APPROVAL OF USE OF FUND -- DUTIES OF ADMINISTRATOR OF PUBLIC WORKS.

There is hereby created in he division of public works a permanent building fund advisory council which shall be appointed by the governor. This council shall be composed of one (1) member of the senate, one (1) member of the house of representatives, a citizen engaged in the contracting business, a citizen engaged in the banking business, and a citizen who is a member of the business community not engaged in contracting or banking. The senate member and house of representative member shall be appointed for a fixed term of two (2) years. All other council members shall be appointed for a fixed term of three (3) years. The terms of office of members of the council holding office prior to July 1, 1996, shall expire on the following dates: contracting business member on July 1, 1996; senate member and house of representative member on December 1, 1996; business community member on July 1, 1997; and banking member on July 1, 1998. On or after July 1, 1996, the governor shall appoint members of the council as terms of existing members expire. All members of the council shall serve at the pleasure of the governor. The administrator of public works and the responsible heads of the agencies for which appropriations for construction, renovations, remodelings or repairs are made pursuant to chapter 11, title 57, Idaho Code, shall consult, confer and advise with the permanent building fund advisory council in connection with all decisions concerning the administration of these appropriations and the planning and construction or execution of work or works pursuant thereto. The approval of the permanent building fund advisory council shall be a condition precedent to the undertaking of planning or construction.

The administrator of public works is hereby directed to work in close cooperation with the responsible heads of institutions and agencies for which appropriations are made herein and no building proposals shall be approved by the administrator of public works nor any planning or work undertaken by that officer pursuant to these appropriations without the prior approval of the responsible chief officer of the institutions and agencies for whom appropriations are made herein.

67-5710A. REQUIREMENT OF PLANS AND SPECIFICATION APPROVAL BY PERMANENT
BUILDING FUND ADVISORY COUNCIL AND DELEGATION OF PROJECT OVERSIGHT BY THE
ADMINISTRATOR FOR THE DIVISION OF PUBLIC WORKS.

(1) (a) Unless an emergency exists as defined in section 67-5711B, Idaho Code, an existing public works may not be altered, repaired, constructed or improved on property owned or occupied by any state institution, department, commission, board or agency, if the estimated cost of work exceeds the limit established in section 67-5711, Idaho Code, and except for those institutions and agency exemptions listed in section 67-5711, Idaho Code, without regard to source of funding, until the location, design, plans and specifications are approved by the permanent building fund advisory council and the project supervised by the division of public works or its designee.

(b) Facilities to be built with funds under the control of a nonstate entity, and owned or occupied by state entities, must have plans and specifications prepared, and all plans and specifications must be reviewed and approved by the permanent building fund advisory council prior to the advertising, bidding, construction and/or negotiation for construction of the facilities.

(2) (a) The administrator for the division of public works may delegate control over design, construction and all other aspects of a public works or maintenance project which costs less than one hundred fifty thousand dollars ($150,000), to agencies of state government on a project-by-project basis, if a responsible party of the state agency requests that delegation in writing and the permanent building fund advisory council approves the delegation.

(i) The state agency to whom control is delegated shall assume all responsibility for project budgets and shall receive funds appropriated for the project upon application and approval by the permanent building fund advisory council.

(ii) Delegation of project control does not exempt the state agency from complying with public works statutes, life safety and building codes or other applicable codes and regulations. The state agency also must comply with any guidelines or procedures for design and construction adopted by the division of public works and the permanent building fund advisory council.

(iii) State agencies that receive delegated projects may not have access to permanent building fund advisory council contingency funds unless approved by the permanent building fund advisory council or authorized by appropriation.

(iv) Prior, written approval from the administrator must be granted for any public works utilizing sole source or limited competition. No agency will be delegated the ability to declare an emergency as defined in section 67-5711B, Idaho Code.

(v) The permanent building fund advisory council may elect to audit any project for compliance with applicable codes and policies.
(vi) The delegated state agency will use standard documents for professional services contracts and for construction contracts as adopted by the division of public works.
(vii) Delegation is subject to cancellation by the administrator for the division of public works with the concurrence of the permanent building fund advisory council.

67-5711C. CONSTRUCTION OF PUBLIC PROJECTS -- COMPETITIVE SEALED BIDDING.
(1) All construction contracts for public works shall be awarded to the lowest responsible and responsive bidder after receipt of competitive sealed bidding except as otherwise provided in sections 67-5711B, 67-5711D and 67-5713, Idaho Code.

(2) An invitation for bids shall be issued and shall include a project description and all contractual terms and conditions applicable to the public works.

(3) Adequate public notice of the invitation for bids shall be given at least fourteen (14) days prior to the date set forth therein for the opening of bids. Such notice shall include publication at least fourteen (14) days prior to bid opening in a newspaper of general circulation in the area where the work is located.

(4) When prequalification is deemed in the best interest of the state, competitive bidding procedures shall be open only to licensed public works contractors that meet preliminary supplemental qualifications. The solicitation for bids in a prequalified bidder public works project shall consist of two (2) stages, an initial stage for identifying prequalified contractors, either prime or specialty contractors, followed by a stage during which bid prices will be accepted only from prequalified contractors. Notice of the prequalification stage shall be given in the same manner that notice of open competitive bidding is provided. Prequalification standards must be premised upon demonstrated technical competence, experience constructing similar facilities, prior experience with the state, available nonfinancial resources, equipment and personnel as they relate to the subject project, and overall performance history based upon a contractor's entire body of work. Any request for qualifications must include the standards for evaluating the qualifications of prospective bidders. Licensed contractors desiring to be prequalified to bid on a project must submit a written response to a request for qualifications. After a review of qualification submittals, licensed contractors that meet the prequalification standards shall be notified. Thereafter, bids may be solicited from contractors that meet the prequalification standards. The department may promulgate rules or develop procedures to implement the prequalification process.

(5) Bids shall be opened publicly at the time and place designated in the invitation for bids. The amount of each bid and such other relevant

information as may be specified by rules, together with the name of each bidder, shall be entered on a record and the record shall be open to public inspection. After the time of the award all bids and bid documents shall be open to public inspection in accordance with the provisions of sections 9-337 through 9-347 and 67-5725, Idaho Code.

(6) With respect to a project having a written cost estimate of greater than twenty-five thousand dollars ($25,000) but less than the public works limit established in section 67-5711, Idaho Code, the agency, if it does not perform the work with existing physical plant staff, must award a written contract to the lowest responsible and responsive bidder after soliciting at least three (3) documented informal bids from contractors licensed in Idaho to perform public works contracts, if reasonably available. Adequate public notice of the invitation for informal bids shall be given at least seven (7) days prior to the date set forth therein for the receipt of the informal bids. Such notice may include publication at least seven (7) days prior to bid opening in a newspaper of general circulation in the area where the work is located; or the agency may advertise the invitation for bids in appropriate trade journals, and otherwise notify persons believed to be interested in the award of a contract. Informal bids must be submitted by the contractor in writing in response to a prepared written document describing the project's scope of work in sufficient detail so as to enable a contractor familiar with such work to prepare a responsible bid. Nothing herein exempts an agency from the responsibility of utilizing formal plans and specifications if the work involves the public health or safety as described in chapters 3 and 12, title 54, Idaho Code. The agency must document receipt of the informal bids in the project file.

(7) Any personal property including goods, parts, supplies and equipment which is to be supplied or provided by a state agency for use in any public work, project, or preventive maintenance programs, whether the public work, project, or preventive maintenance program is constructed, undertaken or performed by agency in-house personnel, or by delegation pursuant to section 67-5710A, Idaho Code, or otherwise provided or supplied by the agency to a contractor, the personal property, goods, parts, supplies or equipment supplied or provided by the agency must be purchased or procured by the agency through the division of purchasing in accordance with the Idaho Code.

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INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY

SUBJECT

Authorization for issuance of general revenue and refunding bonds to refund[1] certain outstanding bonds of the University and to construct certain new projects.

REFERENCE

December 2003	Single bond system and financing plan for new projects.
November 2006	Board approval to proceed with construction of Student Health, Wellness, Counseling and Nursing Building pending financing approval.
November 2006	Board approval to proceed with construction of Student Union expansion project pending financing approval.
November 2006	Facilities financing update.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies and Procedures, Section V.F.
Section 33-3804, Idaho Code

BACKGROUND

Boise State University requests the Board's approval to issue approximately $92,185,000 in tax-exempt general refunding and revenue bonds (the "Series 2007A Bonds") pursuant to a Supplemental Bond Resolution to finance the following projects and to refund certain outstanding bonds[1]:

Projects

Student Health, Wellness/Nursing Building	$22,900,000
Student Union Building Expansion	30,000,000
Total	$52,900,000

Refunded Bonds[1]

The refunding of certain of the University's Student Fee Refunding and Improvement Revenue Bonds, Series 1998, and Student Building Fee Revenue Bonds, Series 2001 and Student Union and Housing System Improvement Bonds, Series 2002 in the aggregate principal amount of approximately $39,285,000, would result in a debt service net present value savings in the amount of approximately $_____.[2]

The University will also pay for bond insurance and other costs of issuance.

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[1] Inclusion of refunding bonds will depend on market conditions. See "Discussion" below.

[2] Exact amount will be available at the meeting.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

DISCUSSION

Projects

Student Health, Wellness, Counseling and Nursing Building (SHWCN): $22,900,000 of the proceeds of the Series 2007A Bonds will be used to construct an approximately 70,000 gross square foot facility to accommodate a Student Health, Wellness and Counseling Center (approximately 20,800 of net assignable area) to include space for general medicine and specialty clinics, laboratory and phlebotomy, health promotions and counseling. The nursing component of the new facility will encompass approximately 20,000 square feet of net assignable area. The added program space will support the full range of instructional and support space required by the Nursing Department including classrooms, seminar rooms, practice labs, and offices. A simulation lab, which will allow the nursing faculty to simulate an acute care clinical experience for students, is also planned. The University intends to begin construction in Fall 2007 and expects construction to take approximately 12 to 18 months to complete.

Student Union Building (SUB) Expansion: The SUB expansion project will provide for expanded food service, bookstore, ballroom and meeting rooms, study lounges and other student activity spaces. In addition, new entrances, outdoor patio space and a Veteran's Memorial project are planned. The project includes the addition of 66,000SF of new space and also includes renovation of approximately 27,000SF of the current SUB.

Refunding

The University, with the assistance of its bond underwriter, periodically reviews outstanding bond issues to assess when it is advisable to refinance bonds to take advantage of savings that may be available due to lower interest rates. In the event market conditions at the time of the January meeting do not result in substantial savings, the University will not issue the refunding bonds.

Principal Amount

Approximately $_____[1]

Maturities

[Serial] Maturities from 2008 to 2026, with term bonds in 2031 and 2037. Each project has an individual maturity schedule to coincide with its useful life.

[1] Exact amount will be available at the meeting.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

Amortization Plan
The amortization schedule for the Series 2007A Bonds reflects (i) level debt service savings for the refunding portion (if any) and (ii) a level overall debt service savings for the University's General Revenue Bonds.

Interest Rates
To be determined on the day of pricing. Estimated scale of yields is 3.5% in 2008 to 4.12% in 2037. [1]

Source of Security
General Revenue Pledge of the University. Excludes appropriated funds, grants and contract revenues and restricted gifts.

Ratings
Bonds are expected to be rated "AAA" based on bond insurance. Moody's Investors Service and Standard & Poor's each are expected to affirm ratings of A1" and "A+" respectively, each with a stable outlook.

Bond Insurance and Cost
Bond insurance commitment received from _____. Premium quote of _____% of total debt service; the other bids ranged as high as _____% of total debt service. The increased interest cost for "A1" rated bonds compared to "AAA" bonds would exceed the amount of this premium.[1]

Documents to be Provided Immediately Prior to the Meeting
Once pricing is concluded, the University will be able to provide the following at the meeting.

1. Bond sizing analysis showing final amounts, interest rates and maturities on the Bonds and, if applicable, the savings resulting from issuance of the refunding bonds
2. Insert of pages _____ to Supplemental Bond Resolution showing rates and maturities of the Bonds
3. Insert of new Appendix A to Bond Purchase Agreement showing rates and maturities of the Bonds.
4. Preliminary Official Statement

Bond pricing will occur during the day of January 8, 2007. Agenda consideration after 1:00 pm is requested.

[1] Exact amount will be available at the meeting.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

IMPACT

Dependent on market conditions, lower interest rates will result in total, as well as present value, debt service savings. The exact amount of savings will be determined when the bonds are priced.

The resulting amount of total debt will increase the University's debt service to operating budget ratio. Even so, the bond rating agencies did not downgrade the University's credit rating and reaffirmed the A1/A+ rating for both the 2007A and the 2007B issuance. Moody's cited the consistently strong operating performance and the positive strategic direction that the University has adopted. In addition, they stated that the selected facilities are consistent with the strategic plan and that of a growing metropolitan university. Boise State has the financial capacity to incur this debt without negatively impacting access to future capital, and believes this level of borrowing is necessary to complete pending new buildings consistent with the University's strategic plan.

ATTACHMENTS

1. Attachment 1 - Ten Year Debt Projection (Spreadsheet) Page 7
2. Attachment 2 - Existing and Proposed Debt Service to Budget Series 2007A (Graph) Page 9
3. Attachment 3 - Existing and Proposed Debt Service to Budget-Series 2007A and 2007B (Graph) Page 10
4. Attachment 4 - Existing and Proposed Debt Service to Budget-Series 2007A, 2007B and 2008A (Graph) Page 11
5. Attachment 5 – Supplemental Bond Resolution Starting behind page 15
6. Attachment 6 – Bond Purchase Contract (received on publication date)
7. Attachment 7 – Rating Agency Reports

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

STAFF COMMENTS AND RECOMMENDATIONS

Staff has reviewed the ten-year debt projection and compared the most current projections and assumptions with those contained in the projection provided by BSU at the November 30, 2006, Board meeting. Staff notes the university has reduced the overall amount to be financed by $2.4 million by removing the Parking Deck. This was accomplished by using freed-up debt service reserves which occur when the university converts to the single bond system. The refunding converts approximately $4 million in debt service reserves to cash, and the University anticipates using this to pay for the remainder of the parking deck, and leave the remaining balance in debt service reserves for remodels or future projects. The amounts to be financed for the various new buildings have been reduced as a result of using more current estimates and interest rates.

BSU's projections show that even at zero growth in future State support, the university debt service as a percentage of operating budget ratio peaks at 8.05% in FY 2010 (presuming the FY 2008 bond issue for future buildings is requested and approved), and stays under 8.0% for all other years. If a potential 2008 issue is not included in the analysis, the ratio is well below the 8 percent threshold, which is considered by bond rating agencies, audit firms and others to be the maximum amount that an educational institution should be carrying. Due to the strong ratings by the investor services, conservative assumptions used in these projections, and that the debt service/operating budget ratio stays relatively below 8.0%, project financing appears to be viable.

Staff recommends approval.

INSTITUTION / AGENCY AGENDA
BOISE STATE UNIVERSITY – continued

BOARD ACTION

A Motion to approve a Supplemental Resolution for the Series 2007A Bonds, the title of which is as follows:

> A SUPPLEMENTAL RESOLUTION authorizing the issuance and sale of $_____[1] General Revenue and Refunding, Series 2007A, of the Board of Trustees of Boise State University; authorizing the execution and delivery of a Bond Purchase Agreement and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2007A Bonds.

Moved by _____Seconded by _____Carried Yes _____ No _____

[Note: motion must be approved by a majority of the members of the Board – the Board's Bylaws provide for approval with a roll-call vote.]

[1] Exact amount will be available at the meeting.

Boise State University
Ten Year Debt Projection
December 18, 2006

				FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY2016	Total
1	**New Buildings**	**Cost**	**Est. Debt Financed**				**Annual Debt Service**							
2	Parking Deck	$12,000,000	$0											
3	SUB Expansion	$30,650,000	$30,000,000											
4	Student HWC/Nursing	$25,000,000	$22,900,000											
5	2007A (See Attachment 2 - Graph)		$52,900,000	$0	$2,781,440	$2,424,500	$2,424,500	$2,424,500	$2,424,500	$2,424,500	$2,424,500	$2,424,500	$2,424,500	$22,177,440
6	Stadium Suites	$35,000,000	$28,000,000											
7	2007B (See Attachment 3 - Graph)		$28,000,000		$1,754,667	$2,060,000	$2,062,200	$2,057,900	$2,062,400	$2,060,100	$2,061,300	$2,060,700	$2,058,300	$18,237,567
8	CESED/Research Facility	$35,000,000	$31,000,000											
9	College of Business & Economic Building	$30,000,000	$15,000,000											
10	Student Housing	$30,000,000	$30,000,000											
11	2008A (See Attachment 4 - Graph)		$76,000,000	0	0	$2,611,000	$4,476,000	$5,566,000	$5,565,600	$5,566,300	$5,562,800	$5,565,100	$5,562,600	$40,475,400
12	New Debt Financing		$156,900,000	$0	$4,536,107	$7,095,500	$8,962,700	$10,048,400	$10,052,500	$10,050,900	$10,048,600	$10,050,300	$10,045,400	$80,890,407
13	**Beginning Facilities Fee Reserve**			$1,950,000	$6,192,000	$10,184,175	$15,539,779	$19,564,820	$22,851,674	$26,233,423	$29,710,176	$33,286,091	$36,957,709	$0
14	Debt Service			$0	-$4,536,107	-$7,095,500	-$8,962,700	-$10,048,400	-$10,052,500	-$10,050,900	-$10,048,600	-$10,050,300	-$10,045,400	-$80,890,407
15	Strategic Facilities Fee revenue			$4,242,000	$6,273,615	$9,272,709	$9,365,436	$9,459,090	$9,553,681	$9,649,218	$9,745,710	$9,843,167	$9,941,599	$89,296,227
16	Pledges for debt service				$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000	$500,001	$4,500,001
17	Project Revenues for debt service				$1,754,667	$2,678,395	$3,122,305	$3,376,163	$3,380,568	$3,378,434	$3,378,805	$3,378,750	$3,375,758	$27,823,846
18	**Ending Facilities Fee Reserve**			$6,192,000	$10,184,175	$15,539,779	$19,564,820	$22,851,674	$26,233,423	$29,710,176	$33,286,091	$36,957,709	$40,729,667	$40,729,667
19	**Current University Debt Service**			$12,454,126	$12,489,059	$12,522,715	$12,553,206	$11,550,741	$10,877,300	$10,922,104	$10,964,636	$11,012,921	$11,066,659	
20	**Total Projected Debt Service**			$12,454,126	$17,025,166	$19,618,215	$21,515,906	$21,599,141	$20,929,800	$20,973,004	$21,013,236	$21,063,221	$21,112,059	
21	**Operating Budget (less direct loans, includes 3% growth in State support)**			$242,140,615	$248,863,615	$259,947,327	$275,030,524	$290,729,321	$306,856,962	$323,167,370	$339,657,467	$356,333,299	$373,198,073	
	Debt Service as a % of Operating Budget:													
23	**3% Growth in State support**	(Attachment 4)		5.14%	6.84%	7.55%	7.82%	7.43%	6.82%	6.49%	6.19%	5.91%	5.66%	
24	**2% Growth in State support**			5.14%	6.86%	7.60%	7.90%	7.52%	6.92%	6.60%	6.31%	6.04%	5.80%	
25	**1% Growth in State support**			5.14%	6.89%	7.65%	7.97%	7.61%	7.03%	6.72%	6.43%	6.17%	5.93%	
26	**0% Growth in State support**	(Attachment 4)		5.14%	6.91%	7.70%	8.05%	7.70%	7.13%	6.83%	6.55%	6.30%	6.07%	

Assumptions:

1. 1% growth in enrollment
2. $1 Strategic Facilities Fee equals $30,000 in annual funding, $65 new fee in FY 2008 and $95 new fee in FY 2009
3. Athletics revenues will equal debt service
4. Housing will pay 60% of debt service from operations
5. No new source of state funding for academic buildings
6. Does not reflect impact of debt service savings from refunding element of 2007A bonds

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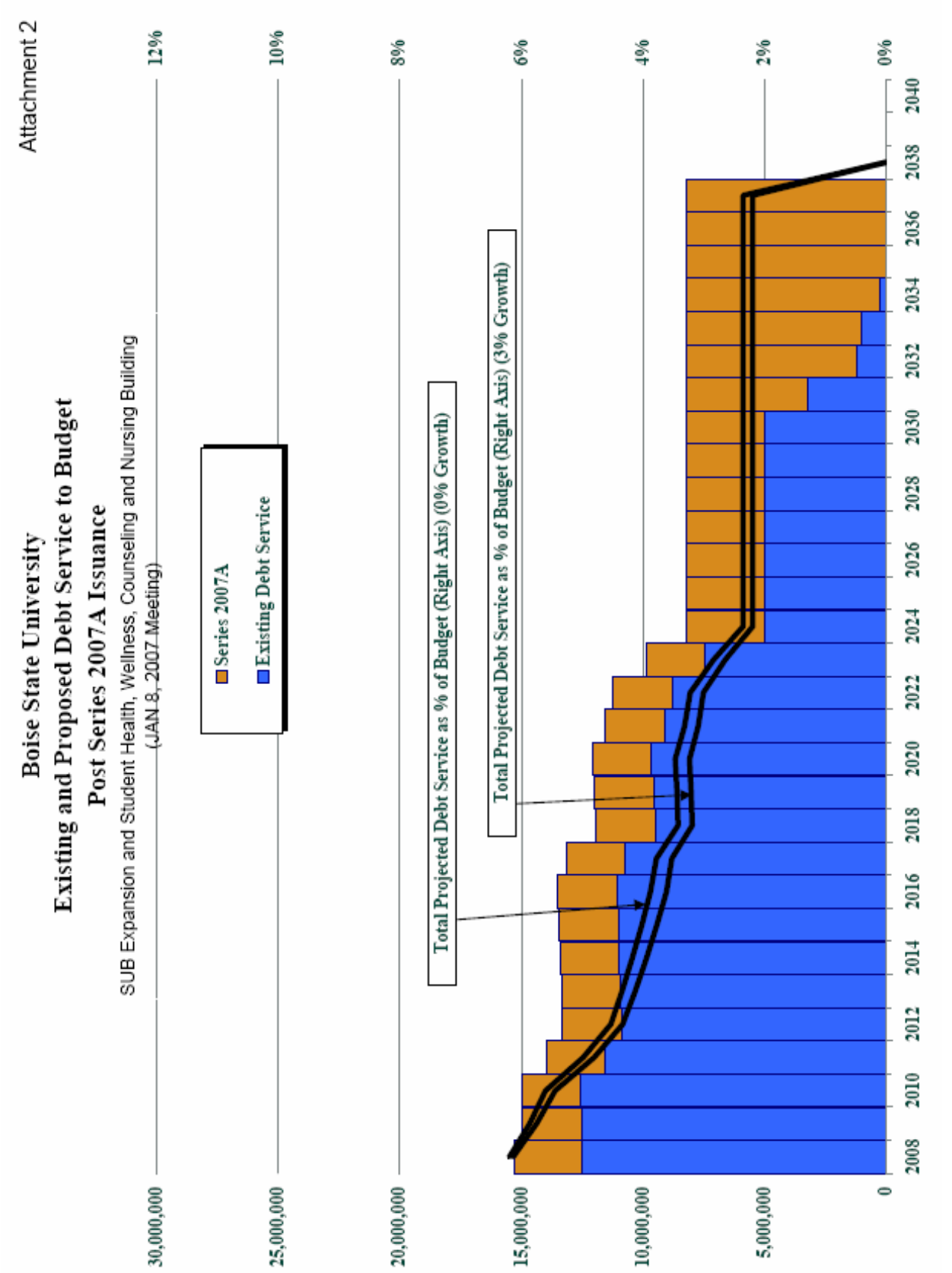
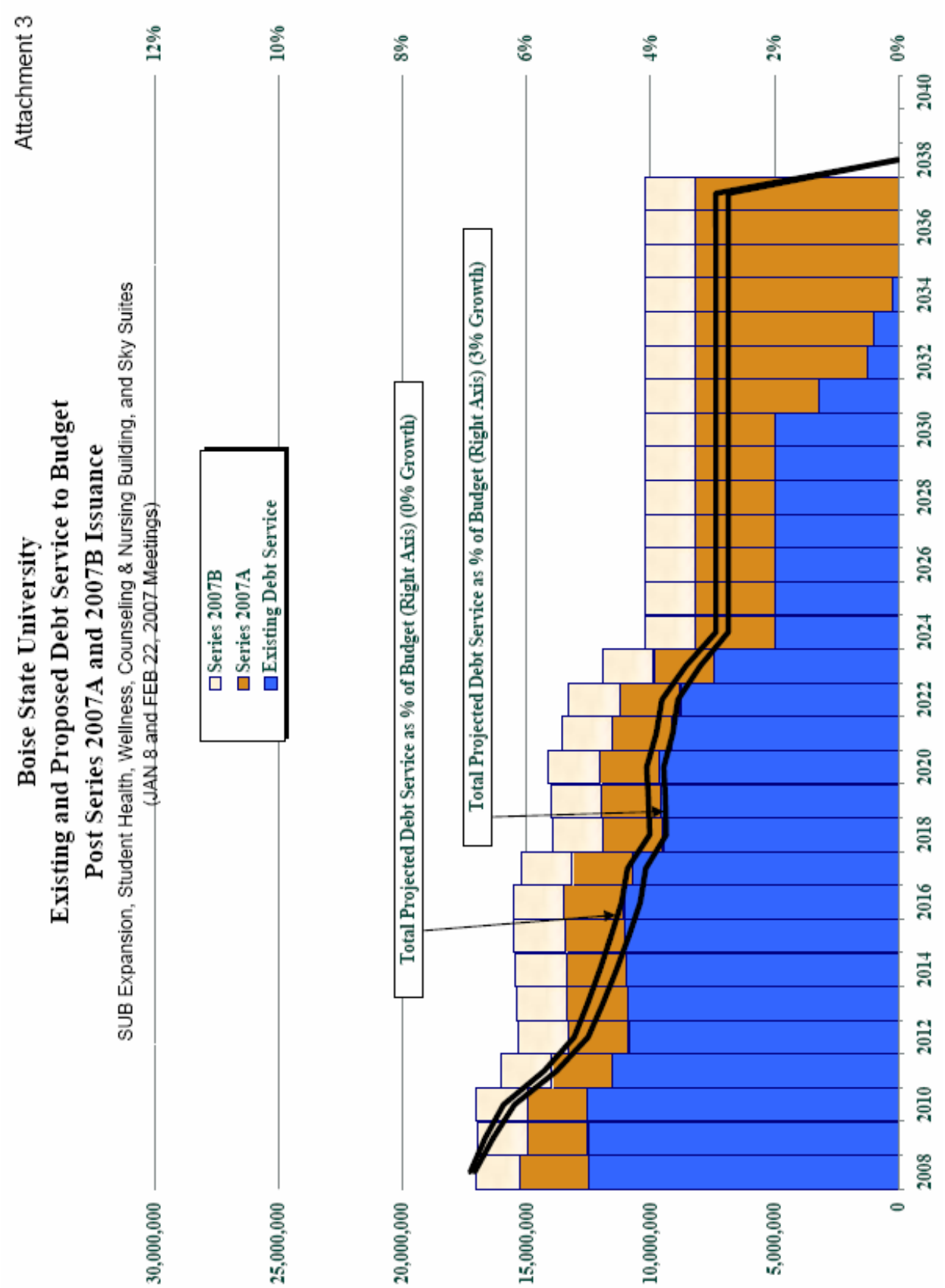
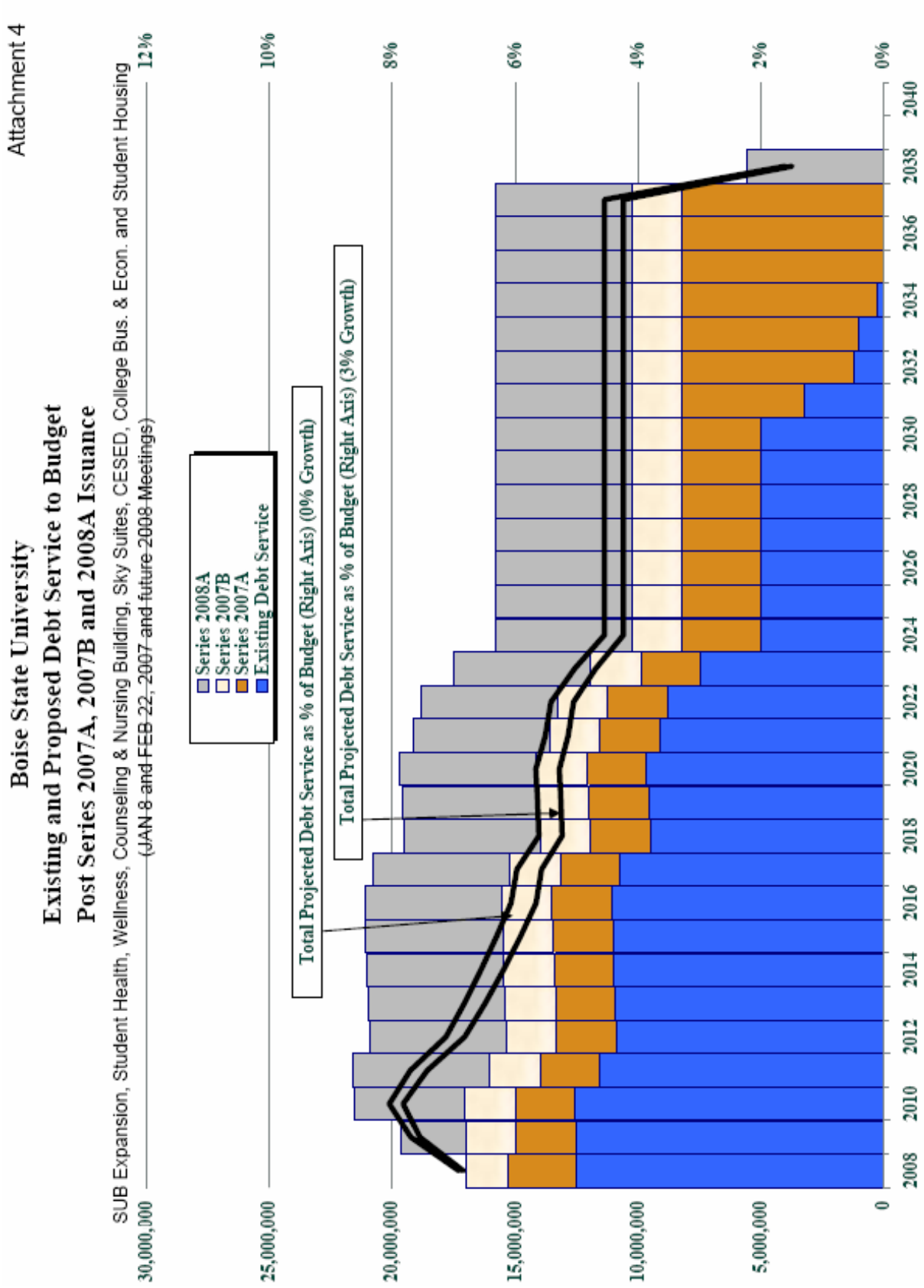
Attachment 2



Attachment 3




Attachment 4
Boise State University
Existing and Proposed Debt Service to Budget
Post Series 2007A, 2007B and 2008A Issuance
SUB Expansion, Student Health, Wellness, Counseling & Nursing Building, Sky Suites, CESED, College Bus. & Econ. and Student Housing
(JAN 8 and FEB 22, 2007 and future 2008 Meetings)
Series 2008A
Series 2007B
Series 2007A
Existing Debt Service
Total Projected Debt Service as % of Budget (Right Axis) (0% Growth)
Total Projected Debt Service as % of Budget (Right Axis) (3% Growth)
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
12%
10%
8%
6%
4%
2%
0%
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2038
2040

REFERENCE – APPLICABLE STATUTE, RULE OR POLICY

F. Bonds and Other Indebtedness

1. General Powers

   The University of Idaho, Idaho State University, Lewis-Clark State College, and Boise State University may, by a majority vote of all the members of the Board, borrow money with or without the issuance of bonds pursuant to Chapter 38, Title 33, Idaho Code. The Board must act by formal resolution. Such indebtedness is not an obligation of the state of Idaho but is an obligation solely of the respective institutions and the respective board of trustees. Any indebtedness is to be used to acquire a project, facility, or other asset that may be required by or be convenient for the purposes of the institution. Student fees, rentals, charges for the use of the projected facility, or other revenue may be pledged or otherwise encumbered to pay the indebtedness. Refunding bonds also may be issued.

   Eastern Idaho Technical College is not authorized to borrow money under Chapter 38, Title 33, Idaho Code.

2. Attorney General's Opinion

   The Board or the institution may request the Attorney General of Idaho to review and pass upon the validity of a proposed bond issue. If found valid, the bond is an incontestable, binding obligation on the institution.

3. Private Sale

   A private sale of bonds is permitted only with the prior approval of the Board as the governing body of the institution. The chief executive officer of the institution must justify why a public sale is not desirable and explain the benefits of a private sale of bonds.

4. Responsibility of the Chief Executive Officer

   The chief executive officer of the institution is responsible for compliance with state law and these provisions when any indebtedness is incurred.

5. Expenditure of Excess Revenue

   Expenditure of project revenues over and above that pledged or otherwise encumbered to meet the indebtedness is limited to expenditures for projects identified in the bond's Official Statement. Expenditure of excess revenue for other projects requires prior Board approval. Expenditures between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) require prior approval from the executive director and expenditures greater than five hundred thousand dollars ($500,000) require prior Board approval.

REFERENCE – APPLICABLE STATUTE, RULE OR POLICY – continued

IDAHO STATUTES

TITLE 33
EDUCATION
CHAPTER 38
STATE INSTITUTIONS OF HIGHER EDUCATION BOND ACT

33-3804. POWERS AND DUTIES OF STATE INSTITUTIONS.

Every institution shall have power in its proper name as aforesaid:

(a) To have a corporate seal and alter the same at pleasure;
(b) To sue and be sued;
(c) To acquire by purchase, gift or the exercise of the right of eminent domain and hold and dispose of real or personal property or rights or interests therein and water rights;
(d) To make contracts and to execute all instruments necessary or convenient;
(e) To acquire any project or projects, and to own, operate, and maintain such project;
(f) To accept grants of money or materials or property of any kind from a federal agency, upon such terms and conditions as such federal agency may impose;
(g) To borrow money, with or without the issuance of bonds and to provide for the payment of the same and for the rights of the holders of such bonds and/or of any other instrument of such indebtedness, including the power to fix the maximum rate of interest to be paid thereon and to warrant and indemnify the validity and tax exempt character;
(h) To perform all acts and do all things necessary or convenient to carry out the powers herein granted, to obtain loans or grants or both from any federal agency, and to accomplish the purposes of sections 33-3801--33-3813, Idaho Code, and secure the benefits of the Recovery Act;
(i) To issue refunding bonds, for the purpose of paying, redeeming, or refunding any outstanding bonds theretofore issued under authority of this chapter. Refunding bonds so issued shall have such details, shall bear such rate or rates of interest and shall be otherwise issued and secured as provided by the board authorizing the issuance of such bonds and as otherwise provided in this chapter, provided, however, that such changes in the security and revenues pledged to the payment thereof may be made by such board as may be provided by it in the proceedings authorizing such bonds, but in no event shall such refunding bonds ever be secured by revenues not authorized by this chapter to be pledged to the payment of bonds issued for other than refunding purposes. Refunding bonds issued hereunder may be exchanged for a like principal amount of the bonds to be refunded, may be sold in the manner provided in this chapter for the sale of other bonds, or may be exchanged in part and sold in part. If sold, the proceeds of such bonds may be deposited in escrow for the payment of the bonds to be refunded, provided such bonds mature or are callable for redemption under their terms within six (6) months from the date of the delivery of the refunding bonds.

No refunding bonds may be issued hereunder in a principal amount in excess of the principal amount of the bonds to be refunded nor may any bonds not maturing or callable for redemption under their terms as above provided be refunded hereunder without the consent of the holders thereof. Refunding bonds so authorized and issued may in the discretion of the board be combined with other bonds to be authorized and issued under this chapter, and a single issue of bonds may be so authorized in part for improvement and in part for refunding purposes.

(j) In connection with borrowing without the issuance of bonds, to fix fees, rents or other charges for utilization of any facility or project being financed by said borrowing and to pledge the same, together with any other revenue from such project or facility, as collateral for repayment of principal and interest in the same manner and to the same extent as provided in this chapter for securing the payment of bonds issued pursuant to this chapter.

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BOISE STATE UNIVERSITY
$_____ GENERAL REVENUE AND REFUNDING BONDS,
SERIES 2007A

BOND PURCHASE AGREEMENT

January 8, 2007

Boise State University
Attn: Stacy Pearson, Vice President
for Finance and Administration
1910 University Drive
Boise, Idaho 83725

Ladies and Gentlemen:

The undersigned, Lehman Brothers Inc., as underwriter (the *"Underwriter"*), hereby offers to enter into this Bond Purchase Agreement (the *"Purchase Agreement"*) with Boise State University (the *"University"*), which, upon the acceptance by the University of this offer, shall be in full force and effect in accordance with its terms and shall be binding upon the University and the Underwriter.

This offer is made subject to your acceptance and approval on or before 5:00 p.m. Mountain Time on the date hereof, and until so accepted will be subject to withdrawal by the Underwriter upon notice delivered to the University by the Underwriter at any time prior to the execution and acceptance hereof by the University. Terms not otherwise defined herein shall have the same meanings as are set forth in the hereinafter defined Resolution.

ARTICLE I

Section 1.1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and covenants herein set forth, the Underwriter hereby agrees to purchase from the University, and the University hereby agrees to sell to the Underwriter, all, but not less than all, of the University's General Revenue and Refunding Bonds, Series 2007A (the *"Bonds"*), for a purchase price equal to $_____, representing the principal amount of the Bonds, plus net original issue premium of $_____, less Underwriter's discount of $_____.

Section 1.2. The Bonds. The Bonds are being issued to (i) finance the costs of the acquisition and construction of a student health, wellness, counseling, and nursing building and the expansion and renovation of the Student Union Building; (ii) refund certain outstanding University bonds; and (iii) pay costs of issuance of the Bonds.

The Bonds shall be dated as of their date of delivery, bear interest at the rates and mature in the amounts and on the dates set forth in SCHEDULE I hereto, and shall be subject to redemption prior to maturity as provided in the Resolution. The Bonds shall be issued pursuant to the resolution authorizing the issuance and sale of Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 1992, adopted September 17, 1992, as previously supplemented and amended (the *"Master Resolution"*), and as further supplemented by a Supplemental Resolution adopted January 8, 2007 (the *"Supplemental Resolution"* and, together with the Master Resolution, the *"Resolution"*) by the Board of Trustees of the University (the *"Board"*), substantially in the form heretofore delivered to the Underwriter, with only such changes therein as shall be mutually agreed upon between us.

The Bonds will be payable from and secured by a pledge of certain revenues of the University (as defined in the Resolution, the *"Pledged Revenues"*), on a parity with all bonds now outstanding under the Resolution (collectively, the *"Outstanding Parity Bonds"*) and any additional bonds hereafter issued under the Resolution.

The Bonds shall be insured under a municipal bond insurance policy (the *"Insurance Policy"*) to be issued by _____ (the *"Bond Insurer"*), concurrently with the issuance of the Bonds.

Section 1.3. Official Statement; Continuing Disclosure. (a) The Bonds shall be offered pursuant to an Official Statement of even date herewith (which, together with the cover page and all appendices thereto, and with such changes therein and supplements thereto which are consented to in writing by the Underwriter is herein called the *"Official Statement"*).

(b) Concurrently with the University's execution hereof, the University shall deliver or cause to be delivered to the Underwriter one copy of the Official Statement, substantially in the same form as the Preliminary Official Statement dated January 2, 2007 (the *"Preliminary Official Statement"*) with only such changes therein as shall have been accepted by the Underwriter, signed on behalf of the University by its Vice President for Finance and Administration. The University has previously deemed the Official Statement "final" as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission (*"Rule 15c2-12"*), and the University hereby authorizes the use of the Official Statement by the Underwriter in connection with the public offering and sale of the Bonds. The University agrees to provide to the Underwriter, on or prior to the Closing Date, and in any event not later than seven business days after the date hereof, sufficient copies of the Official Statement to enable the Underwriter to comply with the requirements of Rule 15c2-12 and Rule G-32 of the Municipal Securities Rulemaking Board.

(c) If at any time prior to 25 days after the "end of the underwriting period" (as defined below), any event shall occur of which the University has knowledge which might or would cause the Official Statement to contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the University shall notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the University will (i) supplement or amend

the Official Statement in a form and in a manner approved by the Underwriter and (ii) provide the Underwriter with such certificates and legal opinions as shall be requested by the Underwriter in order to evidence the accuracy and completeness of the Official Statement as so supplemented or amended. If the Official Statement is so supplemented or amended prior to the Closing (defined below), such approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Purchase Agreement, and if the Official Statement is so amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Purchase Agreement by written notification delivered to the University by the Underwriter at any time prior to the Closing if, in the judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Bonds.

(d) For purposes of this Purchase Agreement, the "end of the underwriting period" shall mean the day of the Closing, or, if the University has been notified in writing by the Underwriter on or prior to the date of the Closing that the "end of the underwriting period" within the meaning of Rule 15c2-12 will not occur on the date of the Closing, such later date on which the "end of the underwriting period" within such meaning has occurred. In the event that the University has been given notice pursuant to the preceding sentence that the "end of the underwriting period" will not occur on the date of the Closing, the Underwriter agrees to notify the University in writing of the date it does occur as soon as practicable following the "end of the underwriting period" for all purposes of Rule 15c2-12; *provided, however,* that if the Underwriter has not otherwise so notified the University of the "end of the underwriting period" by the 90th day after the Closing, then the "end of the underwriting period" shall be deemed to occur on such 90th day unless otherwise agreed to by the University.

(e) In order to enable the Underwriter to comply with the requirements of paragraph (b)(5) of Rule 15c2-12 in connection with the offering of the Bonds, the University covenants and agrees with the Underwriter that it will execute and deliver a Continuing Disclosure Undertaking with respect to the Bonds in substantially the form attached as APPENDIX E to the Preliminary Official Statement (the *"Continuing Disclosure Undertaking"*) on or before the Closing Date.

Section 1.4. Public Offering. The Underwriter agrees to make an initial public offering of all the Bonds at the public offering prices set forth on the cover page of the Official Statement.

Section 1.5. Closing. The *"Closing Date"* shall be February 8, 2007, or such other date as the University and the Underwriter shall mutually agree upon. The delivery of and payment for the Bonds and the other actions described in Sections 1.5 and 3.1 of this Purchase Agreement are referred to herein as the *"Closing"*. The Closing shall take place at the offices of Chapman and Cutler LLP in Salt Lake City, Utah. On the Closing Date, the University will deliver the Bonds or cause the Bonds to be delivered to or for the account of The Depository Trust Company (*"DTC"*), duly executed and authenticated. The University will also deliver to the Underwriter at the Closing the other documents described below and, subject to the terms and conditions hereof, the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 1.1 hereof in federal funds payable to the order of the University. The Bonds will be registered in the name of Cede & Co., as nominee of DTC.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE UNIVERSITY

To induce the Underwriter to enter into this Purchase Agreement, the University represents and warrants to the Underwriter as follows:

Section 2.1. The University has been duly organized and is validly existing under the Constitution and laws of the State of Idaho and has all power and authority to consummate the transactions contemplated by this Purchase Agreement and the Official Statement, including the execution, delivery and approval of all documents and agreements referred to herein or therein.

Section 2.2. The execution and delivery of the Resolution, the approval by the University of this Purchase Agreement and the Bonds, and the application of the proceeds of the Bonds for the purposes described in the Official Statement do not and will not conflict with or result in the breach of any of the terms, conditions or provisions of, or constitute a default under, any existing law, court or administrative regulation, decree or order, or any other agreement, resolution, mortgage, lease or instrument by which the University or any of its respective property is or may be bound.

Section 2.3. The University has duly authorized all necessary action to be taken by it for the issuance and sale of the Bonds by the University upon the terms and conditions set forth herein and in the Official Statement and the Resolution.

Section 2.4. Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court or administrative body pending or, to the knowledge of the University, threatened against or affecting the University, or to the knowledge of the University, any meritorious basis therefor, wherein an unfavorable decision, ruling or finding would have a material adverse effect on the financial condition of the University or the transactions contemplated by this Purchase Agreement and the Official Statement, or would have an adverse effect on the validity or enforceability of the Bonds, the Resolution or any agreement or instrument by which the University is or may be bound, or would in any way adversely affect the existence or powers of the University, or would in any way adversely affect the tax-exempt status of interest on the Bonds.

Section 2.5. The University is not in breach of or in default under any existing law, court or administrative regulation, decree or order, or any other agreement, resolution, mortgage, lease, sublease or other instrument to which the University is a party or by which it or its property is or may be bound, and no event has occurred or is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder, in either case in any manner or to such extent as could have a material adverse effect on the financial condition of the University or the transactions contemplated by this Purchase Agreement and the Official Statement, or would have an adverse effect on the validity or enforceability in accordance with their respective terms of the Bonds or the Resolution, or would in any way

adversely affect the existence or powers of the University, or would in any way adversely affect the tax-exempt status of interest on the Bonds.

Section 2.6. The audited financial statements of the University as of June 30, 2006, and for the fiscal year then ended are a fair presentation of the financial position of the University, the results of the University's operations, and the University's changes in its net assets for the periods specified as of the dates indicated.

Except as described in the Preliminary Official Statement, since June 30, 2006, there has been no material adverse change in the condition, financial or otherwise, of the University from that set forth in the audited financial statements as of and for the period ended that date; and except as described in the Preliminary Official Statement, the University, since June 30, 2006, has not incurred any material liabilities, directly or indirectly, except in the ordinary course of the University's operations.

Section 2.7. Each representation, warranty or agreement stated in any certificate signed by any officer of the University and delivered to the Underwriter at or before the Closing shall constitute a representation, warranty or agreement by the University upon which the Underwriter shall be entitled to rely.

ARTICLE III

CLOSING CONDITIONS

Section 3.1. The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties herein and the performance by the University of its obligations hereunder, both as of the date hereof and as of the Closing Date. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following conditions:

(a) The representations and warranties of the University contained herein shall be true, complete and correct in all material respects at the date hereof and on the Closing Date, as if made on the Closing Date. At the time of Closing (i) the Official Statement, the Resolution and this Purchase Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as therein permitted or as may have been agreed to in writing by the Underwriter, and (ii) the proceeds of sale of the Bonds shall be paid to the Trustee of the Bonds for deposit or use as described in the Official Statement. On the Closing Date, no "Event of Default" shall have occurred or be existing under the Resolution nor shall any event have occurred which, with the passage of time or the giving of notice, or both, shall constitute an Event of Default under the Resolution, nor shall the University be in default in the payment of principal of or interest on any of its obligations for borrowed money.

(c) The Underwriter shall have the right to terminate this Purchase Agreement by written notification delivered to the University by the Underwriter, if at any time on or prior to the Closing Date: (i) the Official Statement shall have been amended, modified

or supplemented without the consent of the Underwriter; (ii) any event shall occur which makes untrue any statement of a material fact in the Official Statement or makes an omission of a fact that should be included in the Official Statement in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading; (iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of Idaho (the *"State"*), or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Bonds; (iv) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect (the *"Securities Act"*), or that the Resolution needs to be qualified under the Trust Resolution Act of 1939, as amended and as then in effect (the *"Trust Resolution Act"*); (v) legislation shall be enacted by the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, to the effect that the Bonds or obligations of the general character of the Bonds are not exempt from registration under the Securities Act, or that the Resolution is not exempt from qualification under the Trust Resolution Act; (vi) legislation shall have been passed by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, or the State Legislature, or a decision shall have been rendered by a court of the United States or of the State or by the Tax Court of the United States, or a ruling or an official statement (including a press release) or proposal shall have been made or a regulation shall have been proposed or made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character to be derived by the University pursuant to the Resolution, or upon interest on obligations of the general character of the Bonds, or, with respect to State taxation of the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or State income tax consequences of any of the transactions contemplated in connection herewith, or any other action or events shall have occurred which, in the judgment of the Underwriter, materially adversely affect the market for the Bonds or the market price generally of obligations of the general character of the Bonds; (vii) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (viii) a general banking moratorium shall have been established by federal, State or New York authorities; (ix) the United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities or mobilization in anticipation thereof, any terrorist activities, or a national or international

calamity or crisis, financial or otherwise, the effect of which on the financial markets of the United States would, in the reasonable opinion of the Underwriter, affect materially or adversely the ability of the Underwriter to market the Bonds; (x) any rating of the Bonds shall have been downgraded or withdrawn by a national rating service; or (xi) any action, suit or proceeding described in Section 2.4 or 3.1(d)(4) shall have been commenced; and

(d) At or prior to the Closing for the Bonds, the Underwriter shall receive the following documents:

(1) The approving opinion of Chapman and Cutler LLP (*"Bond Counsel"*), dated the date of Closing, in substantially the form included as APPENDIX F to the Official Statement;

(2) The opinion of Chapman and Cutler LLP, as Disclosure Counsel, dated the date of Closing and addressed to the Underwriter, in substantially the form attached hereto as *Exhibit A*;

(3) The opinion of Kevin D. Satterlee, counsel to the University, in substantially the form attached hereto as *Exhibit B*;

(4) The University's certificate or certificates signed by its Vice-President for Finance and Administration dated the date of the Closing to the effect that (A) no litigation is pending or, to its knowledge, threatened: (i) to restrain or enjoin the collection of Pledge Revenues under the Resolution; (ii) in any way contesting or affecting any authority for the issuance of the Bonds, the validity of the Bonds, the Resolution, this Purchase Agreement or the exemption from federal income taxation of interest on the Bonds; or (iii) in any way contesting the powers or operation of the University; (B) to the best of her knowledge, the descriptions and information contained in the Official Statement relating to the University and its operational and financial and other affairs and the application of the proceeds of sale of the Bonds are correct in all material respects, as of the date of the Official Statement and as of the date of Closing; (C) such descriptions and information, as of the date of the Official Statement, did not, and, as of the date of Closing, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; (D) at the time of the Closing, no default or event of default has occurred and is continuing which, with the lapse of time or the giving of notice, or both, would constitute a default or an event of default under the Resolution, this Purchase Agreement or any other material agreement or material instrument to which the University is a party or by which it is or may be bound or to which any of its property or other assets is or may be subject; (E) the Resolution of the University authorizing or approving the execution of this Purchase Agreement, the Continuing Disclosure Undertaking, the Escrow Agreement between the University and U.S. Bank National

Association, as escrow agent (the *"Escrow Agreement"*), the Official Statement, and the form of the Bonds has been duly adopted by the University and has not been modified, amended or repealed; (F) no event affecting the University has occurred since the date of the Official Statement that either makes untrue, as of the date of Closing, any statement or information relating to the same and contained in the Official Statement or that should be disclosed therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading; and (G) the representations of the University herein are true and correct in all material respects as of the date of Closing;

(5) Escrow verification report issued by The Arbitrage Group, Inc (the *"Verifier"*);

(6) A copy of the transcript of all proceedings of the University, including the Supplemental Resolution, relating to the authorization and issuance of the Bonds, certified by appropriate officials of the University;

(7) A certificate of the University relating to matters affecting the tax-exempt status of interest on the Bonds, including the use of proceeds of sale of the Bonds and matters relating to arbitrage rebate pursuant to Section 148 of the Code and the applicable regulations thereunder, in form and substance satisfactory to Bond Counsel;

(8) Satisfactory evidence that the Bonds are rated "Aaa" by Moody's Investors Service, Inc. (*"Moody's*), and "AAA" by Standard & Poor's (*"S&P"*), based on the issuance of the Insurance Policy, and that the Bonds are rated "__" and "__" by Moody's and S&P, respectively, without regard to the Insurance Policy;

(9) Copies of the Official Statement related to the Bonds executed on behalf of the University;

(10) An executed counterpart of the Continuing Disclosure Undertaking;

(11) An executed counterpart of the Escrow Agreement;

(12) A specimen Bond;

(13) A copy of the executed Information Return for Tax-Exempt Governmental Bond Issues, Form 8038-G, and evidence of filing thereof;

(14) Evidence that a copy of the Official Statement has been filed with the Treasurer of the State of Idaho, pursuant to Idaho Code Section 67-1222;

(15) Evidence satisfactory to the Underwriter that the Insurance Policy for the Bonds has been issued by the Bond Insurer in substantially the form set forth as APPENDIX G to the Official Statement;

(16) A favorable opinion of counsel to, and certificates of, the Bond Insurer, satisfactory in form and substance to the Underwriter, dated the date of the Closing and addressed to the Underwriter, as to the power and authority of the Bond Insurer to deliver the Insurance Policy, the validity and enforceability of the Insurance Policy, the accuracy and completeness of the information with respect to the Bond Insurer and the Insurance Policy contained in the Official Statement under the caption "Bond Insurance," and as to such other matters as the Underwriter may reasonably request;

(17) Consents of the insurers of all bonds outstanding under the Resolution to the Amendments; and

(18) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request.

If the University shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the University shall be under further obligation hereunder, except as further set forth in Article IV hereof. However, the Underwriter may, in its sole discretion, waive one or more of the conditions imposed by this Purchase Agreement and proceed with the Closing. Acceptance of the Bonds and payment therefor by the Underwriter shall be deemed a waiver of noncompliance with any of the conditions herein.

ARTICLE IV

FEES AND EXPENSES

All expenses and costs of the University incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including the costs of printing of the Bonds; advertising costs; the costs of posting, printing, duplicating and mailing the Preliminary Official Statement and the Official Statement; the fees of consultants, the rating agencies, and the Verifier; the cost of obtaining the Insurance Policy; the initial fee of the Trustee in connection with the issuance of the Bonds; the fees of the Escrow Agent; and the fees and expenses of Bond Counsel, Disclosure Counsel, and counsel for the University, shall be paid out of funds made available by the University. All out-of-pocket expenses of the Underwriter (except for any expenses of the University advanced by the Underwriter for which the Underwriter will be reimbursed by the University), including advertising expenses in connection with the public offering of the Bonds, travel and other

expenses, and the fees and expenses of any counsel employed by it, shall be paid by the Underwriter.

ARTICLE V

GENERAL PROVISIONS

Section 5.1. Notices. Any notice or other communication to be given to the University under this Purchase Agreement may be given by delivering the same in writing to the University's address set forth above, and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to Lehman Brothers Inc., 701 Fifth Avenue, Suite 7101, Seattle, Washington 98104.

Section 5.1. Entire Agreement. This Purchase Agreement, when executed by the University, shall constitute the entire agreement between the University and the Underwriter, and is made solely for the benefit of the University and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof.

Section 5.2. No Recourse. No recourse shall be had for any claim based on this Purchase Agreement, or any Resolution, certificate, document or instrument delivered pursuant hereto, against any member, officer or employee, past, present or future, of the University or of any successor body of the University.

Section 5.3. Execution in Counterparts. This Purchase Agreement may be executed in any number of counterparts, all of which, taken together, shall be one and the same instrument, and any parties hereto may execute this Purchase Agreement by signing any such counterpart.

Section 5.4. Severability. The invalidity or unenforceability of any provision hereof as to any one or more jurisdictions shall not affect the validity or enforceability of the balance of this Purchase Agreement as to such jurisdiction or jurisdictions, or affect in any way such validity or enforceability as to any other jurisdiction.

Section 5.5. Waiver or Modification. No waiver or modification of any one or more of the terms and conditions of this Purchase Agreement shall be valid unless in writing and signed by the party or parties making such waiver or agreeing to such modification.

Section 5.6. Governing Law. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Idaho.

Section 5.7. Effective Date. This Purchase Agreement shall become effective upon its execution by the Underwriter and the acceptance and approval hereof by the University.

LEHMAN BROTHERS INC.

By_____
Richard B. King
Senior Vice President

ACCEPTED:

BOISE STATE UNIVERSITY

By_____
Stacy Pearson
Vice President of Finance and
Administration

SCHEDULE I

$_____ BOISE STATE UNIVERSITY
GENERAL REVENUE AND REFUNDING BONDS, SERIES 2007A

Interest on the Bonds is payable on October 1, 2007, and semiannually on each April 1 and October 1 thereafter. Principal on the Bonds is payable on the dates, and the Bonds will bear interest at the rates, set forth below:

APRIL 1 OF THE YEAR	PRINCIPAL AMOUNT	INTEREST RATE	PRICE OR YIELD
	$	%	%

EXHIBIT A

OPINION OF CHAPMAN AND CUTLER LLP,
AS DISCLOSURE COUNSEL

[TO BE DATE CLOSING DATE]

Lehman Brothers Inc.
701 Fifth Avenue, Suite 7101
Seattle, Washington 98104

Re: $_____
Boise State University
General Revenue and Refunding Bonds,
Series 2007A

Ladies and Gentlemen:

We have acted as disclosure counsel in connection with the purchase by Lehman Brothers Inc. (the *"Underwriter"*) of $_____ aggregate principal amount of General Revenue and Refunding Bonds, Series 2007A (the *"Bonds"*) issued on this date by Boise State University (the *"University"*). The Bonds are being issued pursuant to the terms of the resolution authorizing the issuance and sale of Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 1992, adopted September 17, 1992, as previously supplemented and amended (the *"Master Resolution"*), and as further supplemented by a Supplemental Resolution adopted January 8, 2007 (the *"Supplemental Resolution"* and, collectively with the Master Resolution, the *"Resolution"*). Capitalized terms used herein without definition shall have the meanings specified in the Official Statement dated January 8, 2007, relating to the Bonds (the *"Official Statement"*).

Based upon our examination of such documents and questions of law as we have deemed relevant in connection with the offering and sale of the Bonds under the circumstances described in the Official Statement, we are of the opinion that, under existing law, the Bonds are not required to be registered under the Securities Act of 1933, as amended, and the Resolution is not required to be qualified under the Trust Indenture Act of 1939, as amended.

We have rendered legal advice and assistance to the University as to the requirements of Rule 15c2-12 prescribed under the Securities Exchange Act of 1934, as amended (the *"Rule"*), in connection with the preparation of its Continuing Disclosure Undertaking dated as of the date hereof (the *"Undertaking"*) for purposes of the Rule. Based upon our examination of the Undertaking, the Rule and such other documents and matters of law as we have considered

necessary, we are of the opinion that, under existing law, the Undertaking complies in all material respects with the applicable requirements of the Rule; *provided, however*, no view is expressed regarding the items comprising Annual Financial Information (as defined in the Undertaking).

We have rendered assistance to the University in connection with, and have participated in the preparation of, the Official Statement and certain other matters related to the subject financing. Rendering such assistance involved, among other things, discussions and inquiries concerning various legal and related subjects and a limited review of certain documents, opinions and certificates of officers of the University and other appropriate persons. We also participated in telephone conferences with your representatives and other persons involved in the preparation of information for the Official Statement, during which the contents of the Official Statement and related matters were discussed and revised. The purpose of our professional engagement was not to establish or confirm factual matters set forth in the Official Statement, and we have not undertaken any obligation to verify independently any of the factual matters set forth therein. Moreover, many of the determinations required to be made in the preparation of the Official Statement involve matters of a non-legal nature. While we are not passing upon, and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, based upon our limited review of documents and participation in conferences as aforesaid, without independent verification, no facts have come to our attention which lead us to believe that the Official Statement (apart from (i) the information relating to The Depository Trust Company and its book-entry only system, (ii) the information relating to _____ contained or incorporated in the Official Statement under the caption, "BOND INSURANCE," and (iii) the financial statements or other financial, operating, statistical or accounting data contained therein, as to all of which we do not express any opinion or belief) contained as of its date or contains as of the date hereof any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

This letter is solely for the benefit of the Underwriter. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

EXHIBIT B

OPINION OF COUNSEL TO BOISE STATE UNIVERSITY

[TO BE DATE CLOSING DATE]

Boise State University
1910 University Drive
Boise, Idaho 83725

Chapman and Cutler LLP
201 South Main Street, Suite 2000
Salt Lake City, Utah 84111

Lehman Brothers Inc.
701 Fifth Avenue, Suite 7101
Seattle, Washington 98104

Re: $_____
Boise State University
General Revenue and Refunding Bonds,
Series 2007A

Ladies and Gentlemen:

As counsel to Boise State University (the *"University"*), I have reviewed certain documents in connection with the issuance and sale by the University of the above-captioned bonds (the *"Bonds"*), including the Resolution of the Board of Trustees of the University (the *"Board"*) adopted on September 17, 1992 (the *"Original Resolution"*), as supplemented by the Supplemental Resolution of the Board dated September 9, 1993, the Supplemental Resolution of the Board adopted March 20, 1998, the Supplemental Resolution of the Board adopted January 22, 2002, the Supplemental Resolution of the Board adopted January 21, 2003, the Supplemental Resolution of the Board adopted February 5, 2004, the Supplemental Resolution of the Board adopted April 21, 2005, and the Supplemental Resolution of the Board adopted January 8, 2007, authorizing the issuance and sale of the Bonds (the *"Supplemental Resolution,"* and, together with the Original Resolution as previously supplemented, the *"Resolution"*), the Preliminary Official Statement dated January 12, 2007, and the Official Statement dated January 8, 2007, (the *"Official Statement"*), the Escrow Agreement, dated February 8, 2007, between the University and U.S. Bank National Association, as escrow agent (the *"Escrow Agreement"*), the hereinafter defined Purchase Agreement, the Continuing Disclosure Undertaking with respect to the Bonds (the *"Continuing Disclosure Undertaking"*), and such

other documents as I deemed necessary to render this opinion. Capitalized terms used but not defined in this opinion have the meaning assigned to such terms in the Resolution. This opinion is rendered pursuant to the Bond Purchase Agreement dated January 8, 2007, between the University and Lehman Brothers Inc. (the *"Purchase Agreement"*).

Based upon my examination, it is my opinion that:

1. The University is an institution of higher education and a body politic of the State of Idaho, duly and validly created and existing pursuant to the laws of the State of Idaho, with full legal right, power, and authority (i) to issue bonds of the University pursuant to the Resolution; (ii) to adopt the Resolution; (iii) to enter into the Purchase Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking; (iv) to pledge the Pledged Revenues (as defined in the Resolution) to secure the payment of the principal of and interest on the Bonds; and (v) to carry out and consummate the transactions contemplated by the Resolution, the Purchase Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking.

2. The meeting of the Board on January 8, 2007, at which the Supplemental Resolution was duly adopted by the Board, was called and held pursuant to law, all public notices required by law were given, and the actions taken at the meeting, insofar as such actions relate to the Series 2007A Bonds, were legally and validly taken.

3. The adoption of the Resolution by the Board, the execution and delivery of the Purchase Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking, and the performance by the University of the transactions contemplated thereby will not conflict with or constitute a breach of, or default under, any commitment, note, agreement or other instrument to which the University is a party or by which it or any of its property is bound, or any provision of the Idaho Constitution or laws or any existing law, rule, regulation, ordinance, judgment, order or decree to which the University or the Board is subject.

4. Based upon conferences with, and representations of officials of, the University, the statements in the Official Statement under the captions, "INTRODUCTION–Boise State University," "SECURITY FOR THE SERIES 2007A BONDS," "THE UNIVERSITY," and "LITIGATION," and in "APPENDIX B–SCHEDULE OF STUDENT FEES," are true and correct in all material respects and do not contain an untrue statement or omission of a material fact, it being understood that, in rendering this opinion, I am not expressing an opinion with respect to financial, statistical or operating data contained under these captions of the Official Statement.

5. Except as described in the Official Statement, there is no action, suit, proceeding, official inquiry or investigation, at law or in equity, pending which (i) questions the existence or powers of the Board or the University or the title to office of any present official of the University; (ii) seeks to prohibit, restrain or enjoin the sale, issuance or delivery of any of the Bonds or the execution and delivery of the Purchase Agreement, the Escrow Agreement, or the Continuing Disclosure Undertaking; (iii)

affects the collection of the Pledged Revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge of the revenues and other funds and accounts under the Resolution; (iv) contests the completeness or accuracy of the Official Statement; or (v) contests any authority for the issuance of the Bonds, and the adoption of the Resolution, or the execution and delivery of the Purchase Agreement, the Escrow Agreement, and the Continuing Disclosure Undertaking, or the validity of any proceedings taken by the University in connection with the issuance or sale of the Bonds.

Very truly yours,

_____

Kevin D. Satterlee
University Counsel

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SUPPLEMENTAL RESOLUTION

AUTHORIZING THE ISSUANCE AND SALE OF
BOISE STATE UNIVERSITY
GENERAL REVENUE AND REFUNDING BONDS, SERIES 2007A

OF

$_____

ADOPTED JANUARY 8, 2007

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SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION authorizing the issuance and sale of $_____ General Revenue and Refunding Bonds, Series 2007A of Boise State University; authorizing the execution and delivery of a Bond Purchase Agreement, an Escrow Agreement, and a Continuing Disclosure Undertaking; and providing for other matters relating to the authorization, issuance, sale and payment of the Series 2007A Bonds.

* * * * * *

WHEREAS, Boise State University (the *"University"*) is a state institution of higher education and body politic and corporate organized and existing under and pursuant to the Constitution and laws of the State of Idaho; and

WHEREAS, the State Board of Education and Board of Regents of the University of Idaho, acting in its capacity as the Board of Trustees of the University (the *"Board"*), is authorized, pursuant to Title 33, Chapter 38, Idaho Code, to issue bonds for "projects", as defined in such act; and

WHEREAS, on September 17, 1992, the Board adopted a resolution authorizing the issuance and sale of Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 1992 and providing for the issuance of Additional Bonds for future projects or refunding purposes (the *"Original Resolution"* and, as supplemented and amended, the *"Resolution"*); and

WHEREAS, the University has previously issued its Student Fee Refunding and Improvement Revenue Bonds, Series 1998 (the *"Series 1998 Bonds"*), Student Building Fee Revenue Bonds, Series 2001 (the *"Series 2001 Bonds"*), and Student Union and Housing System Refunding Revenue Bonds, Series 2002 (the *"Series 2002 Bonds"* and, together with the Series 1998 Bonds and the Series 2001 Bonds the *"Prior Bonds"*); and

WHEREAS, the Board has determined to issue its General Revenue and Refunding Bonds, Series 2007A (the *"Series 2007A Bonds"*) pursuant to Title 33, Chapter 38, Idaho Code, and Title 57, Chapter 5, Idaho Code (collectively, the *"Act"*), and the Resolution, to (i) finance the costs of the acquisition and construction of a student health, wellness, counseling, and nursing building and the expansion and renovation of the Student Union Building (collectively, the *"Series 2007A Projects"*), (ii) refund a portion of the Prior Bonds, and (iii) pay costs of issuance of the Series 2007A Bonds; and

WHEREAS, in satisfaction of Section 33-3805 of the Act, the Board has determined that the Series 2007A Projects are necessary for the proper operation of the University and are economically feasible;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF BOISE STATE UNIVERSITY AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 101. Definitions. (a) Certain terms are defined in the preambles hereto. Except as provided in the preambles and subparagraph (b) of this Section, all capitalized terms contained in this Supplemental Resolution shall have the same meanings as set forth in the Resolution.

(b) As used in this Supplemental Resolution, unless the context shall otherwise require, the following terms shall have the following meanings:

"*Bond Purchase Agreement*" means the Bond Purchase Agreement dated January 8, 2007, between the Board and the Underwriter, pursuant to which the Series 2007A Bonds are to be sold.

"*Bond Register*" means the registration records of the University, maintained by the Trustee, on which shall appear the names and addresses of the Registered Owners of the Series 2007A Bonds.

"*Book-Entry System*" means the book-entry system of registration of the Series 2007A Bonds described in Section 210 of this Supplemental Resolution.

"*Cede & Co.*" means Cede & Co., as nominee of DTC.

"*Continuing Disclosure Undertaking*" means the Continuing Disclosure Undertaking with respect to the Series 2007A Bonds, authorized by Section 205 of this Supplemental Resolution.

"*DTC*" means The Depository Trust Company, New York, New York.

"*DTC Participants*" means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

"*Escrow Account*" means the account created under the Escrow Agreement for the refunding of the Refunded Bonds.

"*Escrow Agent*" means U.S. Bank National Association, as escrow agent under the Escrow Agreement.

"*Escrow Agreement*" means the Escrow Agreement dated as of the date of delivery of the Series 2007A Bonds, between the University and the Escrow Agent, providing for the refunding of the Refunded Bonds.

"*Refunded Bonds*" means the Prior Bonds to be refunded by the Series 2007A Bonds, as more particularly defined in the Escrow Agreement.

"*Representation Letter*" means the Blanket Representations Letter from the University to DTC dated June 18, 1999.

"*Resolution*" means the resolution adopted by the Board on September 17, 1992, authorizing the issuance and sale of Student Union and Housing System Revenue Bonds, as previously amended and supplemented, and as further amended and supplemented by this Supplemental Resolution.

"*Securities Depository*" means DTC or any successor Securities Depository appointed pursuant to Section 211.

"*Series 1998 Supplemental Resolution*" means the Supplemental Resolution adopted by the Board on March 20, 1998.

"*Series 2002 Supplemental Resolution*" the Supplemental Resolution adopted by the Board on January 22, 2002.

"*Series 2004A Supplemental Resolution*" means the Supplemental Resolution adopted by the Board on February 5, 2004.

"*Series 2005A Supplemental Resolution*" means the Supplemental Resolution adopted by the Board on April 21, 2005.

"*Series 2007A Bondholder*" means the holder of any Series 2007A Bond.

"*Series 2007A Bonds*" means the $_____ aggregate principal amount of the University's General Revenue and Refunding Bonds, Series 2007A authorized by this Supplemental Resolution.

"*Series 2007A Costs of Issuance Fund*" means the special account created by Section 302 of this Supplemental Resolution, from which the Costs of Issuance of the Series 2007A Bonds shall be paid.

"*Supplemental Resolution*" means this Supplemental Resolution of the Board adopted on January 8, 2007, authorizing the Series 2007A Bonds.

"*Trustee*" means U.S. Bank National Association, Salt Lake City, Utah, and its successors and permitted assigns under the Resolution.

"2007A Insurer" means _____, or any successor thereto.

"2007A Policy" means the _____ Policy issued by the 2007A Insurer insuring the payment when due of the principal of and interest on the Series 2007A Bonds as provided therein.

"Underwriter" means Lehman Brothers Inc.

The terms *"hereby," "hereof," "hereto," "herein," "hereunder,"* and any similar terms as used in this Supplemental Resolution refer to this Supplemental Resolution.

Section 102. Authority for Supplemental Resolution. This Supplemental Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2007A BONDS

Section 201. Authorization of Series 2007A Bonds, Principal Amount, Designation and Series. In order to provide funds for the acquisition and construction of the Series 2007A Projects, the refunding of the Refunded Bonds, and the payment of Costs of Issuance of the Series 2007A Bonds, and in accordance with and subject to the terms, conditions and limitations established in the Resolution, a series of General Revenue and Refunding Bonds is hereby authorized to be issued in the aggregate principal amount of $_____. Such series of Bonds shall be designated "General Revenue and Refunding Bonds, Series 2007A." The Series 2007A Bonds shall be issued only in fully-registered form, without coupons. The Series 2007A Bonds are secured by the pledge of the Pledged Revenues under Section 5.1 of the Resolution, equally and ratably with all Bonds issued under the Resolution.

Section 202. Finding and Purpose. The Board hereby finds, determines and declares that, (a) in satisfaction of Section 57-504 of the Act, the refunding of the Refunded Bonds, as provided hereunder and in the Escrow Agreement, will result in debt service savings, which objective the Board finds to be beneficial to the University, and (b) in satisfaction of Section 33-3805 of the Act, the Series 2007A Projects are necessary for the proper operation of the University and are economically feasible, and (c) the requirements of Article VII of the Resolution will have been complied with upon the delivery of the Series 2007A Bonds.

Section 203. Issue Date. The Series 2007A Bonds shall be dated the date of their original issuance and delivery.

Section 204. Series 2007A Bonds. (a) The Series 2007A Bonds shall bear interest at the rates and mature on the dates and in the principal amounts as follows:

APRIL 1 OF THE YEAR	AMOUNT MATURING	INTEREST RATE
	$	%

(b) The Series 2007A Bonds shall bear interest from their dated date, payable on October 1, 2007, and semiannually thereafter on each April 1 and October 1.

Section 205. Sale of Series 2007A Bonds. The Series 2007A Bonds authorized to be issued herein are hereby sold to the Underwriter at an aggregate purchase price equal to the principal amount of the Series 2007A Bonds, plus net original issuance premium of $_____, less $_____ of underwriter's discount, on the terms and conditions set forth in the Bond Purchase Agreement. To evidence the acceptance of the Bond Purchase Agreement, the Bursar and Vice President for Finance and Administration (the "*Bursar*") is hereby authorized to execute and deliver, and the Secretary to attest, the Bond Purchase Agreement in the form presented at this meeting.

The final Official Statement (the "*Official Statement*") of the University for the sale of the Series 2007A Bonds, in substantially the form presented at this meeting, with such changes, omissions, insertions and revisions as the Bursar shall approve, is hereby authorized, and the Bursar shall sign such Official Statement and deliver such Official Statement to the Underwriter for distribution to prospective purchasers of the Series 2007A Bonds and other interested persons, which signature shall evidence such approval. The use of the Preliminary Official Statement dated January 2, 2007, by the Underwriter and the actions of the University, including the certification by the Bursar deeming the Preliminary Official Statement final pursuant to Rule 15c2-12 of the Securities Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended (*"Rule 15c2-12"*) in connection with the offering of the Series 2007A Bonds, are hereby acknowledged, approved and ratified.

In order to comply with subsection (b)(5) of Rule 15c2-12, the Underwriter has provided in the Bond Purchase Agreement that it is a condition to delivery of the Series 2007A Bonds that the University shall have executed and delivered the Continuing Disclosure Undertaking. The Continuing Disclosure Undertaking is hereby ratified and approved in all respects, and the

President and Bursar are hereby authorized to execute and deliver the Continuing Disclosure Undertaking in the form set forth in APPENDIX E to the Official Statement.

The Bursar of the University and the President and Secretary of the Board are, and each of them is, hereby authorized to do or perform all such acts as may be necessary or advisable to comply with the Bond Purchase Agreement and to carry the same into effect.

Section 206. Execution and Delivery of Series 2007A Bonds. The Series 2007A Bonds shall be manually executed on behalf of the University by the President of the Board and the Bursar of the University, and attested by the Secretary of the Board. The Series 2007A Bonds shall be delivered to the Underwriter upon (i) compliance with the provisions of Section 3.2 of the Resolution and (ii) receipt of the consents of the bond insurers of the Outstanding Bonds (the *"Consents"*) to the amendments to the Resolution contained in Article IV of the Series 2004A Supplemental Resolution (the *"Amendments"*), and delivery to the Trustee of a Written Certificate of the University in substantially the form attached as *Exhibit B.*

Section 207. Redemption of Series 2007A Bonds. (a) The Series 2007A Bonds maturing on or before April 1, 2017, shall not be subject to call or redemption prior to their stated dates of maturity. On or after April 1, 2017, at the election of the University, the Series 2007A Bonds maturing on or after April 1, 2018, shall be subject to redemption, in whole or in part, as selected by the University, upon notice as provided in Section 7.3(A) of the Resolution, at a price of 100% of the principal amount of the Series 2007A Bonds to be redeemed, plus accrued interest to the redemption date.

(b) The Series 2007A Bonds shall be subject to redemption in part by operation of sinking fund installments, upon notice as provided in Section 4.3(A) of the Resolution, at a redemption price equal to the principal amount of the Series 2007A Bonds to be redeemed, together with accrued interest to the date of redemption, on the dates and in the Mandatory Redemption Amounts as follows:

APRIL 1 OF THE YEAR	MANDATORY REDEMPTION AMOUNT
*	$

* Stated maturity.

Section 208. Form of Series 2007A Bond. The Series 2007A Bonds are hereby authorized to be issued in the form set forth in *Exhibit A* attached hereto and incorporated herein by this reference.

Section 209. Submittal to Attorney General. There shall promptly be submitted to the Attorney General of the State of Idaho by the Secretary of the Board, a certified copy of this Supplemental Resolution, together with the proceedings relating to their adoption, in order that

the Attorney General may examine and pass upon the validity of the Series 2007A Bonds and the regularity of such proceedings, in the manner and with the effect specified in the Act.

Section 210. Book-Entry-Only System. (a) The Series 2007A Bonds shall initially be registered on the Bond Register in the name of Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series 2007A Bonds, except in the event that the Trustee issues Replacement Bonds, as provided below. It is anticipated that during the term of the Series 2007A Bonds, the Securities Depository will make book-entry transfers among the DTC Participants and receive and transmit payments of principal of and interest on the Series 2007A Bonds until and unless the Trustee authenticates and delivers Replacement Bonds to the Beneficial Owners as described below. So long as any of the Series 2007A Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on the Series 2007A Bonds and all notices with respect to the Series 2007A Bonds shall be made and given in the manner provided in the Representation Letter.

(b) If the Securities Depository determines to discontinue providing its services with respect to the Series 2007A Bonds, and the University cannot obtain a qualified successor Securities Depository, or if the University determines not to use the book-entry system of the Securities Depository, the University shall execute, and the Trustee shall authenticate and deliver, one or more Series 2007A Bond certificates (the *"Replacement Bonds"*) to the DTC Participants in principal amounts and maturities corresponding to the identifiable Beneficial Owners' interests in the Series 2007A Bonds, with such adjustments as the Trustee may find necessary or appropriate as to accrued interest and previous calls for redemption, if any. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Series 2007A Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Trustee, to the extent applicable with respect to such Replacement Bonds.

(c) With respect to Series 2007A Bonds registered in the name of Cede & Co. as nominee for the Securities Depository, neither the University nor the Trustee shall have any responsibility to any Beneficial Owner with respect to:

(i) the sending of transaction statements, or maintenance, supervision, or review of records of the Securities Depository;

(ii) the accuracy of the records of the Securities Depository or Cede & Co. with respect to any ownership interest in the Series 2007A Bonds;

(iii) the payment to any Beneficial Owner, or any person other than the Securities Depository, of any amount with respect to principal of, interest on, or redemption premium, if any, on the Series 2007A Bonds; or

(iv) any consent given or other action taken by the Securities Depository or Cede & Co. as owner of the Series 2007A Bonds.

(d) The Representation Letter previously executed and delivered by the University to DTC is for the purpose of effectuating the initial Book-Entry System for the Series 2007A Bonds through DTC as Securities Depository and shall not be deemed to amend, supersede or supplement the terms of this Bond Resolution, which are intended to be complete without reference to the Representation Letter. In the event of any conflict between the terms of the Representation Letter and the terms of the Resolution, the terms of the Resolution shall control. The Securities Depository may exercise the rights of a Registered Owner hereunder only in accordance with the terms hereof applicable to the exercise of such rights.

Section 211. Successor Securities Depository. In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable state or federal statute or regulation, the Trustee, with the written consent of the University, may appoint a successor Securities Depository, provided the Trustee receives written evidence satisfactory to the Trustee with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository that is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable state or federal statute or regulation. Upon the appointment of a successor Securities Depository, the former Securities Depository shall surrender the Series 2007A Bonds to the Trustee for transfer to the successor Securities Depository, and the Trustee shall cause the authentication and delivery of Series 2007A Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

Section 212. Bond Insurance. [Bond Insurer provisions.]

ARTICLE III

CREATION OF ACCOUNTS, APPLICATION OF BOND PROCEEDS

Section 301. Creation of Accounts. In accordance with Section 5.4(B) of the Resolution, there is hereby established in the Construction Fund a "Series 2007A Project Account" and a "Series 2007A Costs of Issuance Account," to be held by the University.

Section 302. Application of Proceeds of Series 2007A Bonds. The proceeds of the sale of the Series 2007A Bonds shall be deposited as follows:

(a) $_____ for deposit into the Series 2007A Costs of Issuance Account for payment of the Costs of Issuance of the Series 2007A Bonds;

(b) $_____ for deposit into the Series 2007A Project Account, to acquire and construct the Series 2007A Projects; and

(c) $_____ for deposit into the Escrow Account for the purpose of refunding the Refunded Bonds, which shall be invested as contemplated by the Escrow Agreement

and in accordance with the provisions of Section 57-504 of the Act (except for any amount to be retained as cash).

Before any payment is made from the Series 2007A Project Account or the Series 2007A Costs of Issuance Account, the University shall execute a Written Certificate as required by Section 5.4(E) or 5.4(F), respectively, of the Resolution.

Section 303. Release of Moneys in Debt Service Reserve Account. The Amendments eliminate the requirement that the University maintain an amount equal to the Reserve Account Requirement in the Debt Service Reserve Account. On or after the effective date of the Amendments, upon delivery of a Written Certificate and Request of the University to the Trustee in substantially the form attached hereto as *Exhibit B*, the Trustee shall transfer all amounts on deposit in the Debt Service Reserve Account to the University, to be used to pay (i) a portion of the costs of a parking structure and (ii) the costs of such other property acquisitions and building renovations as the Board shall approve upon confirmation from Bond Counsel that such use shall not adversely affect the tax-exempt status of any of the Bonds; *provided, however,* that the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company (the *"Reserve Policy"*) [and $472,217 of moneys invested pursuant to a guaranteed investment contract (the *"GIC Funds"*)], shall remain in the Debt Service Reserve Account unless otherwise directed by the University.

ARTICLE IV

REFUNDING

Section 401. Redemption of Refunded Bonds. The Refunded Bonds are hereby irrevocably called for redemption on the redemption dates set forth in the Escrow Agreement. Notice of defeasance and notice of redemption shall be given as provided in Sections 4.3 and 12.1 of the Resolution and in the Escrow Agreement.

Section 402. Approval of Escrow Agreement; Deposit into Escrow Account. The Escrow Agreement between the University and the Escrow Agent, in substantially the form presented to the Board at the time of adoption of this Supplemental Resolution, is hereby authorized and approved, and the Bursar is hereby authorized, empowered and directed to execute and deliver the Escrow Agreement on behalf of the University, and the Secretary is hereby authorized, empowered and directed to affix the seal of the University to the Escrow Agreement and to attest such seal, with such changes to the Escrow Agreement from the form attached hereto as are approved by the Bursar, her execution thereof to constitute conclusive evidence of such approval. The Bursar is hereby authorized to perform all such acts as may be necessary or advisable to comply with the Escrow Agreement or to carry out or give effect to the Escrow Agreement.

Section 403. Other Actions With Respect to the Series 2007A Bonds. The officers and employees of the University shall take all action necessary or reasonably required to carry out, give effect to, and consummate the transactions contemplated hereby and shall take all action

necessary in conformity with the Act to carry out the issuance of the Bonds, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the sale and delivery of the Bonds. All actions heretofore taken in connection therewith are hereby ratified, approved and consummated. If (a) the President of the Board or the Bursar or (b) the Secretary shall be unavailable to execute or seal or attest, respectively, the Series 2007A Bonds or the other documents that they are hereby authorized to execute, seal and attest, the same may be executed, or sealed and attested by, respectively, (i) the President or any Vice President or (ii) any Assistant Secretary.

ARTICLE V

AMENDMENTS

Section 501. Amendments. (a) Section 213(I) of the Series 1998 Supplemental Resolution is amended to read as follows:

> I. Notwithstanding the provisions of Article X of the Resolution, no modification or amendment to the Resolution (i) made pursuant to Section 10.1A of the Resolution and affecting the Series 1998 Bonds or (ii) modifying the obligations of the 1998 Insurer with respect to the 1998 Policy, shall be effective without the written consent of the 1998 Insurer.

(b) Section 213(g) of the Series 2002 Supplemental Resolution is amended to read as follows:

> (g) Notwithstanding the provisions of Article X of the Resolution, no modification or amendment to the Resolution (i) made pursuant to Section 10.1A of the Resolution and affecting the Series 2002 Bonds or (ii) modifying the obligations of the 2002 Bond Insurer with respect to the 2002 Bond Insurance Policy, shall be effective without the written consent of the 2002 Bond Insurer.

(c) Section 214(f) of the Series 2004A Supplemental Resolution is amended to read as follows:

> (f) Any amendment or supplement to the Resolution made pursuant to Section 10.1A of the Resolution and affecting the Series 2004A Bonds is subject to the prior written consent of the 2004A Insurer.

(d) Section 214(k) of the Series 2004A Supplemental Resolution is amended to read as follows:

> (k) Notwithstanding the provisions of Article X of the Resolution, no modification or amendment to the Resolution (i) made pursuant to Section 10.1A of the Resolution and affecting the Series 2004A Bonds or (ii) modifying the obligations of the

2004A Insurer with respect to the 2004A Policy, shall be effective without the written consent of the 2004A Insurer.

(e) Section 213(b) of the Series 2005A Supplemental Resolution is amended to read as follows:

(b) Notwithstanding the provisions of Article X of the Resolution, no modification or amendment to the Resolution (i) made pursuant to Section 10.1A of the Resolution and affecting the Series 2005A Bonds or (ii) modifying the obligations of the 2005A Insurer with respect to the 2005A Policy, shall be effective without the written consent of the 2005A Insurer.

ARTICLE VI

MISCELLANEOUS

Section 601. *Partial Invalidity*. If any one or more of the covenants or agreements, or portions thereof, provided in the Resolution should be contrary to law, such covenant or covenants, such agreement or agreements, or such portions thereof shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the Resolution, this Supplemental Resolution or the Series 2007A Bonds, but the Series 2007A bondholders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law.

Section 602. *Conflicting Resolutions; Effective Date*. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

ADOPTED AND APPROVED this 8th day of January, 2007.

BOARD OF TRUSTEES OF BOISE STATE UNIVERSITY

_____

President

ATTEST:

_____

Secretary

[SEAL]

EXHIBIT A

[FORM OF SERIES 2007A BOND]

R-____ $_____

UNITED STATES OF AMERICA
STATE OF IDAHO

BOISE STATE UNIVERSITY
GENERAL REVENUE AND REFUNDING BONDS, SERIES 2007A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
____%	_____	_____	_____

Registered Owner: CEDE & CO.

Principal Amount: ---------- DOLLARS ----------

KNOW ALL MEN BY THESE PRESENTS that Boise State University, a body politic and corporate and an institution of higher education of the State of Idaho (the "*University*"), for value received, hereby promises to pay, from the Bond Fund (as defined in the hereinafter defined Resolution), to the registered owner identified above, or registered assigns, on the maturity date specified above, the principal sum indicated above, and to pay interest thereon from the Bond Fund from the dated date hereof, or the most recent date to which interest has been paid or duly provided for, at the rate per annum specified above, payable on October 1, 2007, and semiannually on each April 1 and October 1 thereafter, until the date of maturity or prior redemption of this Bond. Interest shall be calculated on the basis of a 360-day year and twelve 30-day months.

THIS BOND IS AN OBLIGATION OF THE UNIVERSITY PAYABLE SOLELY IN ACCORDANCE WITH THE TERMS HEREOF AND IS NOT AN OBLIGATION, GENERAL, SPECIAL, OR OTHERWISE OF THE STATE OF IDAHO, DOES NOT CONSTITUTE A DEBT, LEGAL, MORAL, OR OTHERWISE, OF THE STATE OF IDAHO, AND IS NOT ENFORCEABLE AGAINST THE STATE, NOR SHALL PAYMENT HEREOF BE ENFORCEABLE OUT OF ANY FUNDS OF THE UNIVERSITY OTHER THAN THE REVENUES, FEES, AND CHARGES PLEDGED THERETO IN THE RESOLUTION. The principal of, interest on, and redemption price of the Bonds is payable solely from Pledged Revenues, which consist principally of revenues from certain student fees and enterprises, as more particularly set forth in the Bond Resolution. Pursuant to the Resolution, sufficient revenues have been pledged and will be set aside into the Bond Fund to provide for the prompt payment of the principal of, interest on, and redemption price of the Bonds. For a more particular description of the Bond Fund, the revenues to be deposited therein, and the nature and extent of the security for the Bonds, reference is made to the provisions of the Resolution.

Principal of and interest on this Bond are payable in lawful money of the United States of America to the registered owner hereof whose name and address shall appear on the registration books of the University (the *"Bond Register"*) maintained by the Corporate Trust Department of U.S. Bank National Association, Salt Lake City, Utah (the *"Trustee"*). Interest shall be paid to the registered owner whose name appears on the Bond Register on the 15th day of the calendar month next preceding the interest payment date, at the address appearing on the Bond Register, and shall be paid by check or draft of the Trustee mailed to such registered owner on the due date at the address appearing on the Bond Register or at such other address as may be furnished in writing by such registered owner to the Trustee. Principal shall be paid to the registered owner upon presentation and surrender of this Bond at the principal corporate trust office of the Trustee on or after the date of maturity or prior redemption.

This Bond is one of the General Revenue and Refunding Bonds, Series 2007A (the *"Series 2007A Bonds"*), of the University issued in the aggregate principal amount of $_____ for the purpose of (i) financing the costs of the acquisition and construction of a student health, wellness, counseling, and nursing building and the expansion and renovation of the Student Union Building, (ii) refunding certain outstanding bonds of the University, and (iii) paying costs of issuance of the Bonds. The Series 2007A Bonds are issued pursuant to and in full compliance with the Constitution and statutes of the State of Idaho, particularly Chapter 38 of Title 33 and Title 57, Chapter 5, Idaho Code, and proceedings duly adopted and authorized by the Board of Trustees of the University (the *"Board"*) on September 17, 1992, as previously supplemented and amended, and as further supplemented by a Supplemental Resolution adopted by the Board on January 8, 2007, authorizing the issuance of the Series 2007A Bonds (collectively, the *"Resolution"*).

Series 2007A Bonds maturing by their terms on or before April 1, 2017, are not subject to prior call for redemption. Bonds maturing on or after April 1, 2018, are subject to redemption, at the election of the University, on or after April 1, 2017, in whole or in part, as selected by the University, upon notice as hereinafter provided, at a price of 100% of the principal amount of the Series 2007A Bonds to be redeemed, plus accrued interest to the redemption date.

The Series 2007A Bonds shall be subject to redemption in part by operation of sinking fund installments, upon notice as provided in the Resolution, at a redemption price equal to the principal amount of the Series 2007A Bonds to be redeemed, together with accrued interest to the date of redemption, on the dates and in the Mandatory Redemption Amounts as follows:

APRIL 1 OF THE YEAR	MANDATORY REDEMPTION AMOUNT
*	$

* Stated maturity.

The Series 2007A Bonds are initially issued in the form of a separate certificated, fully-registered Bond for each maturity, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*).

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE UNIVERSITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

Notice of redemption shall be given by mailing notice to the registered owner thereof not less than 35 nor more than 60 days prior to the redemption date at the address shown on the Bond Register or at such other address as may be furnished in writing by such registered owner to the Trustee. Provided that funds for the redemption price, together with interest to the redemption date, are on deposit at the place of payment at such time, the Series 2007A Bonds shall cease to accrue interest on the specified redemption date and shall not be deemed to be outstanding as of such redemption date.

Upon any partial redemption of this Bond, Cede & Co., in its discretion, may request the Trustee to authenticate a new Bond or shall make an appropriate notation with respect to this Bond indicating the date and amount of prepayment, except in the case of final maturity, in which case this Bond must be presented to the Trustee prior to payment.

The Series 2007A Bonds shall not be transferable or exchangeable except as set forth in the Resolution. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, upon presentation and surrender of this Bond at the principal corporate trust office of the Trustee. Upon such transfer, a new Series 2007A Bond, of the same denomination, maturity, and interest rate will be issued to the transferee in exchange therefor.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been manually signed by the Trustee.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions, and things required by the Constitution and statutes of the State of Idaho to exist, to have happened, been done, and performed precedent to and in the issuance of this Bond have happened, been done, and performed, and that the issuance of this Bond and the Series 2007A Bonds of this issue does not violate any Constitutional, statutory, or other limitation upon the amount of bonded indebtedness that the University may incur.

IN WITNESS WHEREOF, the Board has caused this Bond to be executed by the President of the Board and the Bursar of the University, and attested by the Secretary of the Board, and a facsimile or original of the official seal of the University to be imprinted hereon, as of this 8th day of February, 2007.

BOISE STATE UNIVERSITY

By_____
President of the Board of Trustees of Boise State University

COUNTERSIGNED:

_____
Bursar

ATTEST:

_____
Secretary of the Board of Trustees of Boise State University

[SEAL]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: February 8, 2007

This Bond is one of the Boise State University General Revenue and Refunding Bonds, Series 2007A, described in the within-mentioned Bond Resolution.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By
Authorized Signature

[STATEMENT OF INSURANCE]

[To come.]

VALIDATION CERTIFICATE

I hereby certify that I have examined a certified copy of the record of proceedings taken preliminary to and in the issuance of the within bond; that such proceedings and such bond conform to and show lawful authority for the issuance thereof in accordance with the provisions of Title 33, Chapter 38, Idaho Code, as amended. Such bond has been issued in accordance with the Constitution and laws of the State of Idaho and shall in any suit, action or proceeding involving its validity be conclusively deemed to be fully authorized by Title 33, Chapter 38, Idaho Code, and to have been issued, sold, executed, and delivered in conformity with the Constitution and laws of the State of Idaho and to be valid and binding and enforceable in accordance with its terms, and such bond is incontestable for any cause.

_____

Hon. Lawrence Wasden
Attorney General

ASSIGNMENT

The following abbreviations, when used in the inscription on the face the within Bond shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	—	as tenants in common	UNIF TRAN MIN ACT—
TEN ENT	—	as tenants by the entirety	_____ Custodian _____
JT TEN	—	as joint tenants with right of survivorship and not as tenants in common	(Cust) (Minor) under Uniform Transfers to Minors Act of _____ (State)

Additional abbreviations may also be used
though not in the list above.

For value received _____ hereby sells, assigns and transfers unto

INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(Please Print or Typewrite Name and Address of Assignee)

the within Bond of the BOISE STATE UNIVERSITY, and hereby irrevocably constitutes and appoints _____ Attorney to register the transfer of said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ Signature: _____

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

WRITTEN CERTIFICATE AND REQUEST REGARDING CONSENTS TO THE AMENDMENTS AND RELEASE OF AMOUNTS IN DEBT SERVICE RESERVE ACCOUNT

The undersigned Vice President of Finance and Administration and Bursar of Boise State University (the *"University"*), does hereby certify and request as follows:

1. I have read (a) Section 206 of the Supplemental Resolution adopted January 8, 2007 (the *"Series 2007A Supplemental Resolution*"), authorizing the issuance and sale of the University's General Revenue and Refunding Bonds, Series 2007A (the *"Series 2007A Bonds"*) and supplementing the resolution authorizing the issuance and sale of Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 1992, adopted September 17, 1992 (as supplemented and amended, including by the Series 2007A Supplemental Resolution, the *"Resolution"*), which requires the University to deliver a Written Certificate of the University to the Trustee as a condition to the issuance and delivery of the Series 2007A Bonds, (b) Section 10.01 of the Resolution, which requires the consent of at least 60% of the owners of all Outstanding Bonds in connection with certain amendments (the *"Amendments"*) to the Resolution contained in Article IV of the Supplemental Resolution adopted by the Board of Trustees of the University on February 5, 2004 (the *"Series 2004A Supplemental Resolution"*), (c) the provisions of the Supplemental Resolutions that require the bond insurers of the Bonds in connection with the Amendments, and (d) Section 303 of the Series 2007A Supplemental Resolution, which provides that, on or after the effective date of the Amendments (*i.e.*, upon receipt of the Consents (as defined in the Series 2007A Supplemental Resolution) by the University and delivery of a Written Certificate and Request of the University to the Trustee), all amounts (other than Reserve Account Credit Enhancements) on deposit in the Debt Service Reserve Account shall be transferred to the University.

2. I have also read the provisions of Section 1.1 (Written Certificate of the University) of the Resolution and, in connection therewith, have undertaken an examination and investigation of the facts and circumstances on which this Written Certificate and Request (this *"Written Certificate"*) is based in order to make the certifications and requests contained herein, and, in my opinion, this Written Certificate complies with the provisions of Section 1.1 of the Resolution and Section 206 of the Series 2007A Supplemental Resolution.

3. I am the duly appointed and qualified and acting Vice President of Finance and Administration and Bursar of the University and, as such, am familiar with the books and corporate records of the University.

4. Delivered herewith in the transcript of which this Written Certificate is a part, are the written consents of the bond insurers of all Bonds now Outstanding under the Resolution, pursuant to which such bond insurers have consented to the Amendments and the other amendments to the Original Resolution contained in the Supplemental Resolutions dated March 20, 1998, January 22, 2002, January 21, 2003, February 4, 2004, and April 1, 2005, and incorporated in the conformed copy of the Resolution attached hereto as *Annex A*.

5. As described in the Official Statements relating to the University's General Revenue Bonds, Series 2004A (the *"Series 2004A Bonds"*), General Revenue and Refunding Bonds, Series 2005A (the *"Series 2005A Bonds"*), and Series 2007A Bonds, the owners of the Series 2004A Bonds, Series 2005A Bonds, and Series 2007A Bonds are deemed to have consented to the Amendments. In addition, the consent of Lehman Brothers Inc., as the initial purchaser of the Series 2007A Bonds, is delivered herewith.

6. The Series 2004A Bonds are currently outstanding in the principal amount of $_____, the Series 2005A Bonds are currently outstanding in the principal amount of $_____, and the Series 2007A Bonds are currently outstanding in the principal amount of $_____. The $_____ aggregate principal amount of such Bonds represents ___% of the $_____ aggregate principal amount of all Bonds currently Outstanding under the Resolution.

7. In accordance with Section 10.1 of the Resolution, Article IV of the Series 2004 Supplemental Resolution, and paragraphs 4, 5, and 6 above, the Amendments are hereby made effective as of the date of this Written Certificate and Request (to the extent that such Amendments have not previously taken effect in accordance with the terms of the Resolution).

8. The University hereby requests the Trustee to transfer all amounts (other than the Reserve Policy and the GIC Funds) on deposit in the Debt Service Reserve Account to the University, to be used to pay certain capital costs, as provided in Section 303 of the Series 2007A Supplemental Resolution.

9. Pursuant to the Continuing Disclosure Undertaking dated as of the date of issuance of the Series 2007A Bonds (the *"Continuing Disclosure Undertaking"*) and various Information Reporting Agreements relating to the other Outstanding Bonds, the University hereby requests the Trustee to provide notice of the Amendments and the release of the amounts in the Debt Service Reserve Account to the NRMSIRs (as defined in the Continuing Disclosure Undertaking), in substantially the form attached hereto as *Annex B*.

Capitalized terms used but not defined herein have the meanings assigned to such terms in the Resolution.

IN WITNESS WHEREOF, the undersigned has hereunto set her official signature this 8th day of February, 2007.

BOISE STATE UNIVERSITY

By_____
Vice President of Finance and
Administration and Bursar

ANNEX A

TO WRITTEN CERTIFICATE AND REQUEST REGARDING CONSENTS TO THE AMENDMENTS AND RELEASE OF AMOUNTS IN DEBT SERVICE RESERVE ACCOUNT

[ATTACH CONFORMED COPY OF RESOLUTION]

ANNEX B
TO WRITTEN CERTIFICATE AND REQUEST
REGARDING CONSENTS TO THE AMENDMENTS
AND RELEASE OF AMOUNTS IN DEBT SERVICE RESERVE ACCOUNT

MATERIAL EVENT NOTICE COVER SHEET

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer: Boise State University

Issuer's Nine-Digit CUSIP Number(s) to which this material event notice relates: See Schedule A.

Number of pages of attached material event notice: __

Description of Material Event Notice (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. __X__ Modifications to rights of security holders
8. _____ Bond calls
9. _____ Defeasances
10. __X__ Release, substitution, or sale of property securing repayment of the securities (See Schedule A)
11. _____ Rating changes
12. _____ Failure to provide annual financial information as required
13. _____ Other material event notice (specify) _____

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature:_____

Name:
Title:

Employer:

Address:

City, State, Zip Code:

Voice Telephone Number:

Note: If filed with the MSRB, please print the material event notice attached to this cover sheet in 10-point type or larger. The cover sheet and notice may be faxed to the MSRB at (703) 683-1930. Contact the MSRB at (202) 223-9503 with questions regarding this form or the dissemination of this notice.

SCHEDULE A

Certain amendments (the *"Amendments"*) to the resolution authorizing the issuance and sale of Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 1992, adopted September 17, 1992 (as supplemented and amended, the *"Resolution"*) by the Board of Trustees of Boise State University (the *"University"*), took effect on February 8, 2007 with respect to the University's General Revenue and Refunding Bonds, Series 2005A (the *"Series 2005A Bonds"*), General Revenue Bonds, Series 2004A (the *"Series 2004A Bonds"*), Student Union and Housing System Refunding Revenue Bonds, Series 2003 (the *"Series 2003 Bonds"*), Student Union and Housing System Refunding and Improvement Revenue Bonds, Series 2002 (the *"Series 2002 Bonds"*), and Student Union and Housing System Refunding Revenue Bonds, Series 1998 (the *"Series 1998 Bonds"* and, collectively with the other bonds referenced above, the *"Bonds"*), which are currently outstanding in the principal amounts, mature on the dates, and bear the CUSIP numbers as follows:

Series 2005A Bonds:

MATURITY DATE (APRIL 1)	PRINCIPAL AMOUNT	CUSIP NUMBER

Series 2004A Bonds:

MATURITY DATE (APRIL 1)	PRINCIPAL AMOUNT	CUSIP NUMBER

Series 2003 Bonds:

MATURITY DATE (APRIL 1)	PRINCIPAL AMOUNT	CUSIP NUMBER

Series 2002 Bonds:

MATURITY DATE (APRIL 1)	PRINCIPAL AMOUNT	CUSIP NUMBER

Series 1998 Bonds:

MATURITY DATE (APRIL 1)	PRINCIPAL AMOUNT	CUSIP NUMBER

The Amendments include the following:

Pledge of Additional Security. The Amendments expand the definition of Pledged Revenues* to include (i) additional Student Fees; (ii) revenues generated through operation of the University's auxiliary enterprises; (iii) reimbursements for facility and administrative costs relating to grants and contracts for research activities; and (iv) investment earnings on unrestricted University funds and accounts. So long as certain obligations issued prior to the pledge of these additional revenues are outstanding, the pledge of certain of the additional revenues is subject to the lien with respect to such prior obligations.

Release of Debt Service Reserve; Modification of University Covenants. In connection with the pledge of additional revenues, the Amendments modify or eliminate various covenants of the University under the Resolution. Such changes include the following:

(i) Elimination of the debt service reserve account requirement. Pursuant to this amendment, all moneys in the Debt Service Reserve Account have been released from such account to the University, except that the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty Insurance Company and [$472,217] of moneys invested pursuant to a guaranteed investment contract shall remain in the Debt Service Reserve Account until otherwise directed by the Board.

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* Capitalized terms used but not defined herein have the meanings assigned to such terms in the Resolution. A copy of the amended Resolution may be obtained from the University upon request.

(ii) Amendment of the rate covenant from (a) 120% of Pledged Revenues to (b) 110% of Revenues Available for Debt Service (*i.e.*, Pledged Revenues less Operation and Maintenance Expenses of the University's auxiliary enterprises).

(iii) Amendment of the additional bonds test to eliminate a historical debt service coverage test and to change the remaining coverage requirement from (a) 120% of Pledged Revenues to (b) 110% of estimated Pledged Revenues Available for Debt Service.

(iv) Amendment of the additional bonds provisions to permit the refunding of obligations not issued under the Resolution;

(v) Deletion of covenants regarding (a) the prompt construction of Projects and the securing of payment and performance bonds during construction; (b) limitations on the creation of mortgages on the System or Pledged Revenues; (c) limitations on the sale of System assets; (d) the operation of the system in an efficient and economical manner; (e) the payment of taxes and claims against System assets; (f) the maintenance of insurance; (g) the availability of reports and documents for inspection by the bondholders; (h) the use of insurance or condemnation proceeds to repair or replace damaged or condemned property or to redeem bonds; and (i) the tax-exempt status of the General System Bonds (under the amended provision, tax covenants apply only to tax-exempt bonds); and

(vi) Amendment of the "Investment Securities" definition to allow investment of Resolution funds in any investments that the state treasurer is authorized to acquire under state law.

Moody's Investors Service

Global Credit Research
New Issue
22 DEC 2006

New Issue: **Boise State University, ID**

MOODY'S ASSIGNS AN A1 RATING TO BOISE STATE UNIVERSITY'S $50 MILLION OF GENERAL REVENUE AND REFUNDING BONDS, SERIES 2007A; OUTLOOK IS STABLE

UNIVERSITY WILL HAVE $219.6 MILLION OF PRO-FORMA RATED DEBT INCLUDING SERIES 2007B BONDS TO BE ISSUED SHORTLY

Higher Education
ID

Moody's Rating

ISSUE	RATING
General Revenue and Refunding Bonds, Series 2007A	A1

Sale Amount $50,000,000
Expected Sale Date 01/08/07
Rating Description Public University Revenue Bonds

Moody's Outlook Stable

Opinion

NEW YORK, Dec 22, 2006 -- Moody's Investors Service has assigned an A1 rating to Boise State University's (BSU) $50 million of General Revenue and Refunding Bonds, Series 2007A. At this time we are affirming the A1 underlying rating.

USE OF PROCEEDS: Bond proceeds will be used to finance the costs of constructing an expansion of the Student Union Building and a Student Health, Wellness, Counseling, and Nursing building. In addition, bond proceeds will be used to refund portions of the Series 1998, 2001 and 2002 bonds.

LEGAL SECURITY: The Series 2007A Bonds are secured by Pledged Revenues which include student charges, auxiliary revenues, indirect cost recovery, etc. State appropriations and other externally restricted funds are not included in the Pledged Revenues. For certain of these revenues, the lien is subordinate to other outstanding debt until that debt either matures or is retired. Debt service covenant and additional bonds test to 1.1 times. There is no debt service reserve.

INTEREST RATE DERIVATIVES: None.

STRENGTHS

* Sound fundamental market position as an urban university in a growing metropolitan area which should lead to stable enrollment (13,771 full-time equivalent in fall 2006) and continued growth in student charges pledged to bondholders;

* Consistently strong operating performance despite constrained state appropriations, with a three-year average operating margin of 4.4% for FY 2006, and good three-year average debt service coverage of 2.8 times;

* Adequate financial resources ($152.5 million of total financial resources) which have exhibited modest growth over the last few years driven by operating surpluses and improved fundraising and investment returns; Continued growth is expected with the anticipated launch of major fundraising campaign.

CHALLENGES

* Additional identified capital plans to be debt financed (up to $123 million, including $28 million to be issued shortly as Series 2007B) likely to further increase debt levels over next one to two years before moderating;

Following these issues, University will be highly leveraged in its rating category, ability to assume this level of debt at current rating levels contingent upon continuation of currently positive trends;

* Continued reliance on pressured state appropriations (36% of total University revenues), with the State providing minimal increases in operating appropriations following several years of reductions and no capital appropriations for new buildings;

* Growing research funding according to strategic plan in light of tight federal research funding environment; University has modest research base with $11.7 million in research expenditures in FY 2006;

*Historically modest fundraising and endowment levels.

MARKET/COMPETITIVE POSITION: PUBLIC UNIVERSITY SERVES GROWING METROPOLITAN AREA

Moody's anticipates continued solid student demand and stable enrollment based on Boise State University's role as the sole public higher education provider for a growing metropolitan area. Moody's Economy.com estimates a population of 553,200 individuals in 2006 with favorable demographics and robust economic growth expected. Total full-time equivalent enrollment reached 13,711 in fall 2006, representing a 12.2% increase over the past five years. However, the number of freshmen applications had a second consecutive year of decline in Fall 2006, down 25% from a peak in 2004. Management attributes the decline to the implementation of more stringent admissions requirements in FY 2003. Nonetheless, we believe that the University's market position combined with management's focus on improving retention rates will result in relatively stable enrollment.

The University remains committed to growing research programs, with its strategic plan calling for it to develop into a "Metropolitan Research University of Distinction." However, with a modest research base ($11.7 million of expenditures in FY 2006) and at best a flat federal budget for research funding, we believe this will be a challenge. The University is in the initial stages of a organizing a fundraising campaign to provide funding for endowed faculty chairs and facilities that would support its vision. This would be the University's first major comprehensive fundraising effort.

The University serves as both a comprehensive urban four-year institution, as well as the community college for the area. In the summer of 2005, BSU opened its West Campus to serve as the headquarters for its community college programs. The campus functions as a separate college within the University's existing framework. With increased admissions requirements, management indicates over 700 students who previously would have been admitted were turned away in 2006. These students could potentially be served by the University's new campus.

OPERATING PERFORMANCE: CONSISTENT OPERATING MARGINS DESPITE CONSTRAINED STATE FUNDING

We believe the University will continue to produce positive to balanced annual operating performance, leading to good coverage of debt service. The University's demonstrated ability to achieve sound operating performance despite constrained state funding is viewed as a key credit strength and is a critical factor to sustaining the rating at the current level as the University increases its outstanding debt.

The University received a 7.12% increase in state support for FY 2007, due in large part to an equity adjustment and an increase in employee compensation. This, combined with continued expected growth in student-derived revenue, should support ongoing operating stability. In fiscal year 2006, the University posted a 4.4% three-year average operating margin. Operating cash flow provided solid 2.8 times three-year average coverage of comprehensive debt service responsibilities.

The University derives about 36% of its revenue on a Moody's adjusted basis from the state, although this is down materially from the 43.4% contribution ratio in FY 2002, as a result of reductions in state support and compensating increases in tuition and fees. We believe the environment for state support has largely stabilized. The State of Idaho is currently rated Aa2 with a stable outlook, which reflects the state's strong financial management, expanding economy, well-managed financial operations, and modest state debt levels. Offsetting these strengths are an above average dependence on the natural resource sector, particularly outside of the Boise area; volatile individual and corporate tax receipts; and lack of certain fiscal planning tools common among highly rated states. For more information, please see Moody's report dated September 20, 2006.

BALANCE SHEET POSITION: FINANCIAL RESOURCES GROWING; DEBT LEVELS WILL INCREASE

The University's financial profile has improved in recent years, with total financial resources at the end of FY 2006 of nearly $153 million (including $83.3 million of foundation resources). With $104.6 million of expendable resources, coverage of debt and operations is adequate, with 0.5 times for pro-forma debt (including Series 2007B) and 0.5 times of operations. Financial resources increased 25% over the past three years due to improved fundraising and investment performance combined with favorable operating

performance. We anticipate continued growth as the University embarks on its first comprehensive capital campaign with a goal of $195 million.

Beyond the current issue, the University has identified up to $123 million of additional borrowing plans within the next two years. This amount includes $28 million to be issued as Series 2007B revenue bonds for the expansion of the football stadium. Other projects include: $35 million for the Center for Environmental Science and Economic Development, $30 million for the College of Business and Economics building as well as $30 million for additional student housing. Future capital projects will be used to enhance academic programs as well student life on campus, thereby strengthening BSU's long-term market position.

The University is already highly leveraged with expendable financial resources to debt of just 0.5 times, and debt to revenue of 1.0 time. Moody's expects that BSU will remain highly leveraged in the near-term due to the University's investment in academic and auxiliary facilities for its growing student population and the relative paucity of State funds to support capital projects. The University's ability to absorb any additional borrowing will be highly contingent on growth in liquidity, sustained strong operating performance and continued stable enrollment.

Outlook

The College's rating outlook is stable based on strong student demand and tuition revenue trends, leading to solidly positive operating performance and a stable financial resource base. Leverage is high and additional borrowing plans could pressure the rating outlook without continuation of strong cash flow generation and enrollment growth.

What could change the rating-UP

Notable success in increasing philanthropic support to both build the endowment and to finance strategic capital and academic initiatives, combined with ongoing enrollment growth and operating profitability

What could change the rating-DOWN

Borrowing beyond current expectations, deterioration of student market position or decline of financial resources

KEY INDICATORS (Fiscal year 2006 financial data; fall 2006 enrollment data):

Total Enrollment: 13,711 full-time equivalent students

Total Debt: $219.6 million, including debt of affiliated foundation

Expendable Resources to Direct Debt: 0.5 times

Expendable Resources to Operations: 0.5 years

Total Resources per Student: $11,124

Three-Year Average Operating Margin: 4.4%

Reliance on state funding (% of Operating Revenue): 35.6%

RATED DEBT:

General Bond System, including Housing System Bonds: A1 (Aaa based on municipal bond insurance)

Student Building Fee Bonds: A1 (Aaa based on municipal bond insurance)

Library Bonds: A1 (Aaa based on municipal bond insurance)

Boise State Foundation Multi-Modal Bonds, Series 1998: Aaa/VMIG1

CONTACTS:

Boise State University: Stacy Pearson, Vice President for Finance and Administration, 208-426-1200

Underwriter: Lehman Brothers, Richard King, 206-344-5838

Analysts

Karen Dulitz
Analyst
Public Finance Group
Moody's Investors Service

Susan Fitzgerald
Backup Analyst
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

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INSTITUTION / AGENCY AGENDA
UNIVERSITY OF IDAHO

SUBJECT

The University of Idaho requests approval to seek a one-time appropriation in the amount of $10 million, and to seek modification of the federal Morrill Act for the purpose of creating a research dairy facility.

REFERENCE

October 2006	Board approval of an additional Line Item budget request for the Agricultural Research and Extension Service for FY 2008 in the amount of $10,000,000, General Funds, for a Research Dairy Facility. Expenditure of these funds, and any other University funds, and proceeding ahead with the Facility by the University, must proceed pursuant to Board Policy Section V.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V. Subsection K. Construction of Facilities.

BACKGROUND

This topic is presented to the Board for consideration at the beginning of the Legislative Session (prior to presentations by the Board, the University and the Extension Service to the Joint Finance and Appropriations Committee) to authorize the University and its Extension Service in their presentations to seek appropriation of funds as described above, as well as proceeding contemporaneously to continue work with counsel for the Idaho Board of Land Commissioners and to seek modification of the Federal Morrill Act. Both of these matters are necessary preliminary steps in anticipation of thereafter presenting to the Board a feasible and fundable plan for acquisition and operation of the contemplated facility. The University will return to the Board at the earliest possible time to report on the outcome of these efforts, and if successful, then request approval to plan and acquire the facility.

DISCUSSION

The concept presented to the Board is the establishment of a full scale operating dairy, equivalent in size and make-up to the current generation of commercial dairies in the state of Idaho, which operates in a similar fashion as a commercial dairy, and uses the revenues from the operations to sustain the dairy, while concurrently providing an opportunity for the University to perform research and to study all aspects of the full scale operations in a fashion that can never be duplicated in a laboratory setting. Additionally the dairy will provide the University (and other education partners) with unique opportunities to enhance the education of students in these operations.

INSTITUTION / AGENCY AGENDA
UNIVERSITY OF IDAHO - continued

The need for the facility is based on a) the significant impact and contribution the dairy and livestock industry has on the state's economy, b) the need for research on a full scale to help improve these operations from a financial standpoint, an operations standpoint and an environmental standpoint and c) the longstanding relationship of the University of Idaho (the State's land grant agriculture college) with the dairy and livestock industry in Idaho and its leading role in education and research in this area.

The feasibility for build-out under this concept comes through one-time legislative appropriation, significant contribution from the state's dairy industry and changes in federal law to free up dormant equity in the state's Agriculture Endowment lands. Feasibility of self-sustaining operations is evidenced by the cash flow analysis as well as the risk analysis all contained in the operating projections.

Attached hereto are detailed materials outlining the need for a full scale livestock research facility of this nature, showing the feasibility of its operations, and outlining the educational and research programs it will enhance as follows:

- Attachment 1: CLES Concept Overview which addresses the need for the Center and outlines the overall picture for acquisition and build-out.
- Attachment 2: Preliminary Plans for Center Programming which outlines the education, research and outreach aspects for the facility.
- Attachment 3: Aerial view of property which can be used for acquisition of the proposed Center by the state's Agriculture College Endowment and by the University.
- Attachment 4: Summary of Projected Build-out Costs outlining the advantages of using the Agriculture College Endowment for acquisition of the land, buildings and fixtures to furnish to the University.
- Attachment 5: Self-Sustaining Operating Analysis with cash flow projections, operating projections and risk analysis (with Exhibits).

IMPACT

Estimated financial impact for the proposed Center is a $10 million one-time General Fund appropriation by the Legislature to the Agriculture Research and Extension program, a contribution from the Idaho dairy Industry, and use of dormant equity in the state's Agriculture Endowment. Additionally, the University will need to fund certain additional research/faculty positions as well as technical and clerical support positions.

At this point the University seeks permission to pursue the one-time Legislative appropriation and necessary changes in federal law. Expenditure of these funds and use of the endowment assets will be brought back before the Board upon successful completion of the federal law changes and the Legislative appropriation efforts.

INSTITUTION / AGENCY AGENDA
UNIVERSITY OF IDAHO - continued

ATTACHMENTS

- Attachment 1 – CLES Concept Overview Page 5
- Attachment 2 – Preliminary Plans for Center Programming Page 9
- Attachment 3 – Aerial Views Page 19
- Attachment 4 – Projected Build-out Costs Page 21
- Attachment 5 – Self-Sustaining Operating Analysis Page 23

STAFF COMMENTS AND RECOMMENDATIONS

Staff poses the following questions:

- Will State appropriations be requested in the future for replacement cattle, additional capital projects, staffing, or occupancy costs?
- Is the organization being created as a not-for-profit organization?
- Are the milk, cattle and related cost assumptions congruent with historical patterns?

Staff recommends approval for the UI to proceed with gaining support for the budget request as already approved by the Board, and to continue with efforts to modify the Federal Morrill Act, with the understanding that authority to proceed with planning and construction will be sought later.

BOARD ACTION

A motion to approve the request by the University of Idaho to seek a one-time appropriation of General Funds for the Agriculture Extension Service for FY 2008 in the amount of $10 million from the Idaho Legislature, and to seek modification of the federal Morrill Act for the purpose of allowing the State of Idaho to apply real estate assets in the Agriculture College Endowment for acquisition of real estate, buildings and fixtures for experimental farms and provide these assets to the University of Idaho for use as the endowment beneficiary. This approval is for seeking the appropriation and federal law changes only. The University shall return to the Board after completion of these steps for further authority to proceed with planning and construction.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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Attachment 1 – CLES Concept Overview

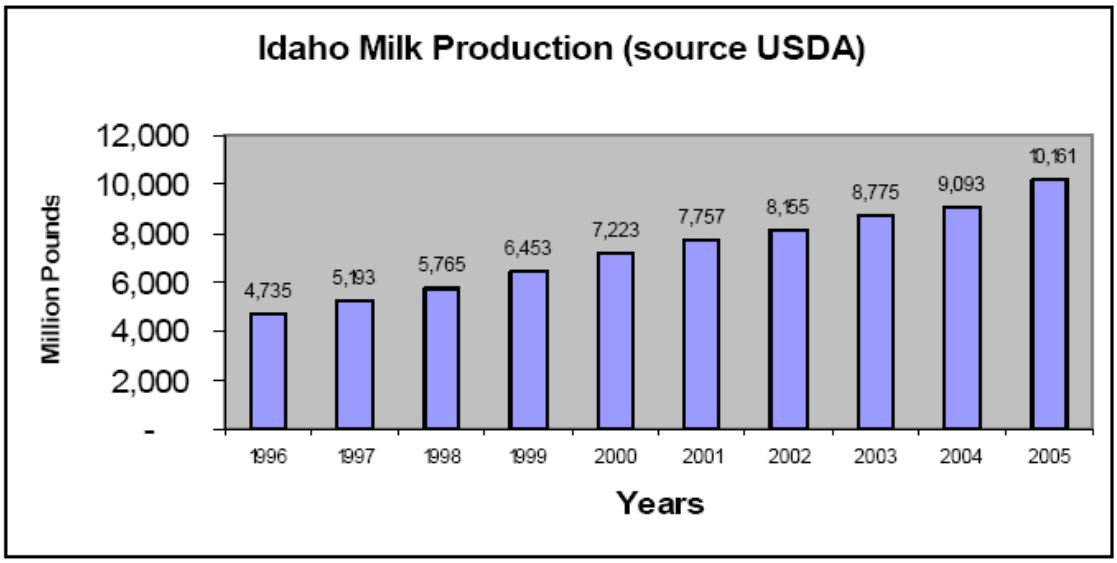
CONCEPT OVERVIEW
Center for Livestock and Environmental Studies

Impact of Dairy Industry in Idaho
University of Idaho Programatic Coverage of Livestock and Food Sciences Industry
Construction and Operation
- Build Out Costs And Funding
- Self-sustaining Operations

Impact of Dairy Industry in Idaho

According to the United States Department of Agriculture, the State of Idaho is the 5th largest milk producer in the United States, producing 10,161 million pounds of milk in 2005. As of December 31, 2005, the State of Idaho had over 700 dairy farm operators producing over 10 billion pounds of milk from over 450,000 cows milking. The State of Idaho has consistently increased production during the past 10 years. This production increase has been the result of existing dairies growing through expansion and new construction. Milk production increased by 11.7% from 2004 to 2005, the greatest among the top 5 milk producing states. ***Between 1996 and 2005, milk production increased 115%.*** See Table I.

Table I:



Economic Contributions of the Idaho Dairy Industry include:

- In 2005, on-farm cash receipts from milk produced in Idaho farms amounted to $1.439 billion, ranking it as the largest single sector in the state's agriculture industry.
- The State of Idaho dairy industry grew from a $73 million dollar industry in 1970 to a healthy $1 billion industry in 2005 with trends representing further growth.
- The estimated state and local tax revenues from the Direct and Secondary Economic Impacts of Dairy Farming and Dairy Product Manufacturing in the Magic Valley area are estimated at $67,480,700.
- The dairy farming and dairy product manufacturing industries in south central Idaho pay approximately $7.4 million each year in property taxes.
- The dairy farming industry in south central Idaho provided a direct economic stimulus to the local economy of $140.0 million that was either paid to its employees or used for the purchase of goods and services from local vendors.

University of Idaho Programatic Coverage of Livestock and Food Sciences Industry

(See attached Preliminary Plans for Center Programming prepared by the College of Agriculture and Life Sciences)

Construction and Operation

Build-Out Costs and Funding.

The College of Agriculture and Life Sciences at the University of Idaho has been working with the Idaho dairy industry to examine the feasibility of building and operating a full scale dairy to serve as a state of the art teaching, research and extension platform in Idaho. An initial projection of the cost to build, equip, stock and commence operations of a full scale dairy ranges from a high of $34,985,031 to a low of $25,760,443 depending on the scale of the operation and certain equipment and construction choices.

The initial funding concept was $5,000,000 from the dairy industry (including the value of the milking herd to be donated to the research dairy by industry members), $10 million of one time appropriated funds from the legislature, and $10 million of funding from the UI. These funds are insufficient to meet even the lower projection of build-out and start up costs.

The UI has been researching an alternative funding mechanism for a significant portion of the initial cost. The alternative mechanism will utilize the $5,000,000 donation from the dairy industry, up to $10,000,000 of one time appropriated funds from the legislature along with land values held by the State of Idaho for the benefit of the University of Idaho in the Agriculture College endowment.

Under the alternative mechanism, the Agriculture College endowment, through the State Board of Land Commissioners and the Department of Lands, would sell or exchange real property that the Endowment now holds and acquire the real property, buildings and fixtures necessary for the full scale operating dairy. The Endowment would then provide use of the real property, buildings and fixtures to the University (as the endowment beneficiary) to equip the dairy and commence operations using the appropriated funds and the donation from the Dairy Industry.

Attachment 3 shows aerial views of the land currently occupied by the University's small scale dairy and the adjacent Caine Veterinary Teaching Center. These lands lie south of Caldwell and north of Lake Lowell in an area of rapid residential growth. The 280 acres occupied by the small scale dairy are owned by the Agriculture College Endowment and could be prime for sale or exchange. The 40 acres occupied by the Caine Center are held in fee title by the Board of Regents and could also be sold in conjunction with the endowment lands to maximize the transaction value with the proceeds used to fund a re-located modernized Caine Center. Feasibility of this relocation is also being explored.

The alternative funding mechanism utilizing the Agriculture College Endowment would eliminate the deficits that exist in the original funding mechanism. Attachment 4 shows the projected build-out costs on operating setup costs for the dairy. The top breakdown shows all costs for the high and low ranges. The highlighted lines show items that are not considered to be real estate that could be furnished by the endowment (the herd, the rolling stock and the operating contingency fund). The balance of the costs (with some adjustment for non-fixture equipment) could be furnished by the endowment. The bottom breakdown shows only the build-out totals that could be furnished by the endowment and illustrates that the endowment could fund close to 75% of the total costs to build and commence operations.

The alternative mechanism will require changes to the Federal Morrill Act which established the Agriculture College Endowment and which contains certain limitations on use of the lands given to the states and use of the funds generated from those lands. Changes would be necessary to allow the endowment to use its assets to acquire the buildings and fixtures of the operating dairy as well as the underlying land, and to recognize the right of the State Board of Land Commissioners as the endowment trustee to then furnish the land, buildings and fixtures directly to the University as the beneficiary of the endowment for the University's use in carrying out the purposes of the endowment. The changes to the Morrill Act would be proposed by the University as beneficiary in conjunction with the State Board of Land Commissioners as the trustee.

If we are successful in revising the Morrill Act, then the one time appropriation of $10,000,000 of agriculture extension funds from the legislature can be multiplied three times over using the combination of the $5,000,000 donation from the Dairy Industry and the dormant equity in the Agriculture Endowment Lands to create a world class, self funding, operating research dairy.

Self-Sustaining Operations of the Dairy

The proposed dairy operation will be a fully operational modern and efficient dairy. Any excess revenue generated from dairy operations, after a working capital reserve is established, will be used to fund additional research and educational activities that will benefit the State of Idaho. Due to the fact that the dairy will be an asset of the Agriculture College Endowment and that there need be no conventional financing for the overall project; it is recommended that a working capital reserve be established for the protection of the endowment asset by assuring available cash to weather volatility in prices as well as ensuring ongoing maintenance and replacement of worn out or obsolete buildings and fixtures and adequate funding for any environmental work to be done. Once the working capital reserve reached a maximum set by mutual agreement between the University and the endowment, excess revenues can be furnished to the University to be used for additional research and educational activities that will benefit the State of Idaho and its citizens.

The proposed size of the dairy herd is representative of a commercial herd needed to meet research needs of the University. Researchers will have the ability to perform studies that focuses on a small dairy farm, as well as the large dairy farms, and their effects to Idaho's well being. The educational opportunities provided to university students and faculty by conducting research and training in a commercial dairy is necessary to test the economic feasibility of experimental technologies at the facility.

Attachment 5 is a financial overview of the operations accompanied by attached cash flow projections. Also discussed is a plan of risk avoidance through hedging of milk price received and feed price paid, as well as a discussion of market volatility and risk accompanied by “pivot tables” modeling the effects of changes in milk production, feed cost and gross milk price, each evaluated under a low, middle and high scenario. The overview shows that through use of recognized risk management techniques and the Operating Reserve discussed above, the business risk from operations is minimized.

The financial overview shows that if properly funded at the outset, the concept of the self funding operating dairy is quite feasible.

Attachment 2 – Preliminary Plans for Center Programming

PROPOSED
CENTER FOR LIVESTOCK AND ENVIRONMENTAL STUDIES

Preliminary Plans

Center Programming:
Teaching, Research & Extension

Institutions:

College of Agricultural & Life Sciences
University of Idaho

December 15, 2006

College of Agricultural and Life Sciences

I. Overview

The dairy industry of Idaho has grown rapidly during the past decade. This growth has been coupled with increased environmental impacts to air, soil and water quality. Additionally, Idaho's dairy industry can be characterized as progressive and technologically advanced. Production practices across the region have incorporated new technologies that are markedly more complex than those of a decade ago.

The rapid growth and technological advancements in the dairy industry have increased the demand for well-trained managers and workforce, as well as a demand for individuals with a strong understanding and knowledge in technology. Importantly, the industry demands individuals with both practical understanding of the production and working knowledge of sophisticated technologies. The beef industry in Idaho, particularly the feedlot sector, is also a technologically advanced industry that is vital to Idaho's economy.

The proposed Idaho Center for Livestock and Environmental Studies is vital for the College of Agricultural and Life Sciences to serve the mission and its responsibility to educate participants in these advanced industries. The proposed center will enhance the cooperative partnership with the livestock industries, other institutions and organizations to create a network of teaching and research faculty in animal and veterinary sciences, biological and agricultural engineering, agricultural economics, microbiology and soil science, along with industry professionals and dairy producers, to construct comprehensive educational programs based on strong experiential teaching/learning components to meet the livestock industries' demand for a knowledgeable qualified workforce and to find research-based solutions to environmental and production problems facing the industry.

II. Mission and Vision

<u>College of Agricultural and Life Sciences</u>

The College of Agricultural and Life Sciences' mission is to support economic growth and enhance the quality of life for the people of Idaho by:

- preparing students to be innovative leaders in a global society
- helping people improve their lives through research-based education and leadership development focused on issues and needs, and
- providing new knowledge to support agriculture and enhance the understanding of natural and human resources.

As a dynamic and responsive knowledge organization serving needs in agriculture, natural resources, the environment, families, consumers, youth and communities, we will integrate the functions of teaching, research and extension in an environment of academic excellence that addresses:

- the needs for lifelong learning through innovative instructional programs,
- creative solutions to needs in Idaho through a research system that generates and applies knowledge, and
- an extension system that extends this knowledge to Idaho citizens for use in problem-solving at a time and place of their convenience.

Aligned with the CALS mission, the stated roles of the Animal and Veterinary Science (AVS), the Biological and Agricultural Engineering (BAE) departments are to conduct focused, comprehensive and integrated research, extension, and teaching programs that specifically and directly support animal agriculture in fully integrated, sustainable systems. Providing well-trained individuals to function in livestock industry-related career fields has always been a significant component of CALS educational programs. However, the extraordinary expansion and advanced technology of livestock production systems require that teaching programs to serve Idaho's leading agricultural industries be strengthened and comprehensive.

III. Program Description - Instruction

III-A. Goals, Objectives and Student Learning Outcomes

Animal & Veterinary Sciences

A major challenge is to expose prospective students to the opportunities provided by careers in Idaho's animal agricultural industries. The overall goal for utilizing the new center would be:

- to develop an alternative instructional delivery system to improve students' experiential learning in dairy and beef management.

The majority of freshmen enrolled as AVS majors do not have typical agricultural backgrounds on a farm or ranch. Approximately 65 percent of AVS freshmen have only limited experience with large animals. The proposed livestock research and teaching center will be a valuable tool to provide transformational experiences to students who are bright and ambitious but who are naïve to the career opportunities of animal agriculture. This educational model incorporating experiential learning is consistent with the strategic plan recently adopted by the University of Idaho.

Biological and Agricultural Engineering

The primary educational objectives for graduates in the B.S. Biological and Agricultural Engineering from the Department of Biological and Agricultural Engineering are:

- Can apply their technical expertise to solve engineering problems
- Have the demonstrated ability to apply their knowledge of math, science and engineering to the technical problems they encounter, including the design of experiments and data analysis,
- Know how to effectively use modern engineering tools to solve engineering problems,
- Understand the design process and how it is used to develop solutions to engineering problems, and
- Can work in interdisciplinary and diverse team situations to produce an effective engineering solution.

The primary educational objectives for graduates in the B.S. Agricultural Systems Management program are:

- Have mechanical skills needed to develop, construct, alter, and repair agricultural equipment systems, and
- Have knowledge in business, and in physical and biological sciences for application to systems and technology development to creatively solve agricultural problems.

III-B. Degree Programs

Primary Undergraduate Programs Associated with CLES and Livestock Industry

Animal & Veterinary Sciences

Students majoring in Animal and Veterinary Science have four degree options from which to select depending on their career goals:

1. B.S. Animal Science - Production,
2. B.S. Animal Science - Business,
3. B.S. Animal Science - Dairy Science, and
4. B.S. Animal Science - Science/Preveterinary

All students, regardless of the degree option they select, are expected to acquire basic understanding of principles of animal agriculture. Beyond the basic principles, each degree option provides specialization for a variety of career directions. Students completing the first three options (Production, Business, and Dairy Science) are expected to be qualified for entry-level management positions in livestock-related enterprises, while the Science/Preveterinary degree option students are prepared for post-graduate study.

Biological and Agricultural Engineering

The teaching programs in the Department of Biological and Agricultural Engineering included degree programs in agricultural engineering and biological systems engineering (collaborative with the College of Engineering) and in agricultural systems management. The five engineering options in the Biological and Agricultural Engineering program (B.S. BAE) are:

1. B.S. BAE – Agricultural Engineering
2. B.S. BAE – Biological Systems Engineering
3. B.S. BAE – Environmental Engineering
4. B.S. BAE – Food and Bioprocess Engineering
5. B.S. BAE – Soil and Water Engineering

The Agricultural Systems Management (B.S. ASM) emphasizes the use and management of equipment and systems based on an understanding of their design and operations. The degree options in the B.S. ASM program are:

1. B.S. ASM - Agricultural Information Systems
2. B.S. ASM – Water and Waste Management Systems
3. B.S. ASM – Agricultural Production Management
4. B.S. ASM – Agricultural Machine Systems

Additional Degree Programs Associated with CLES and Livestock Industry

Other degree programs in the College of Agricultural and Life Sciences which would also utilize the CLES for the education and training of majors include:

1. B.S. Soil and Land Resources
2. B.S. Agricultural Economic/Agribusiness

III-C. Animal Science Curriculum

The proposed center would provide a first-hand view of progressive, integrated dairy and beef production systems for students in all AVS degree options during their first and second years of enrollment as they are learning the basic principles. These experiences will be provided in short (3 to 5 day) field visits to the center. Students will become acquainted with the large scale livestock teaching and research facility. AVS faculty located at the center will provide lectures and laboratories pertinent to production activities at the Center.

A primary modification to the existing curriculum for animal science majors will be inclusion of a semester-long immersion experience at the CLES. During their junior and senior years, students would participate in either a semester-long internship in livestock management/production or an undergraduate research experience at the Center. During the production/management internships, students will participate in all management areas of the operation including herd health, feeding, breeding, milking, and office/accounting. As part of the internship experience, students will be required to be engaged in a research project under the mentorship of a faculty member at the Center. Students would conduct a literature review of the research topic and process the generated data for presentation in written and oral form. The internship will be a requirement for all Dairy Science option majors and a strongly encouraged elective for students enrolled in the other AVS animal science options. Such an experience would greatly benefit students pursuing a career in veterinary medicine or in livestock production. Students will be able to complete other required coursework and interact with AVS faculty in Moscow via compressed video during their time at the CLES.

III-D. Other CALS Degree Curricula

The other B.S. degree programs (Biological and Agricultural Engineering, Soil Science, Agribusiness, Ag Systems Management) will also utilize the CLES for internships and undergraduate research projects. Students will be strongly encouraged to pursue an internship/Undergraduate Research Experience or utilize the CLES for a capstone design experience/project. Students will be able to complete other required coursework and interact with AVS faculty in Moscow via compressed video during their time at the CLES.

III-E. CALS/CSI Integrated Agriculture Programs (2+2 curricula)

Currently, students can complete General Education Requirements and fundamental courses for the B.S. Agricultural Science and Technology and undergraduate degree programs (Animal Science, Agribusiness, Crop and Soil Science) at CSI in existing two-year A.A. programs. Upper division courses from CALS are offered via compressed video at CSI so that students can complete the B.S. AST degree in Twin Falls. Students enrolled in CSI programs and planning B.S. degree program completion at the University of Idaho will have the opportunity to undertake an internship at the CLES prior to attending UI in Moscow. Students will be able to complete additional upper division courses in animal science and interact with AVS faculty in Moscow via compressed video during their time at the CLES.

III-F. Professional and Graduate Programs

The proposed center would greatly enhance opportunities for training of post-graduate and professional students (proposed and potential graduate research areas - please see *Program Description-Research*). The CLES, with its cutting-edge technology and experimental design, will greatly enhance and facilitate training and education in the following graduate programs:

1. M.S. and Ph.D. Animal Science
2. M.S. and Ph.D. Biological and Agricultural Engineering
3. M.S. and Ph.D. Soil and Land Resources
4. M.S. and Ph.D. Entomology
5. M.S. and Ph.D. Microbiology, Molecular Biology and Biochemistry
6. M.S. Agricultural Economics

Veterinary students (DVM with WSU College of Veterinary Medicine) enrolled in large animal medicine rotations at the Caine Veterinary Teaching Center will have the opportunity to utilize animals at the CLES to learn physical examination skills and surgical procedures. Availability of the CLES dairy and beef animals will provide additional experiences associated with animal/herd health and environmental issues at a commercial scale research facility not currently available at the Caine Center in the WOI veterinary curriculum.

IV. Delivery Technology & Facilities

The proposed Center for Livestock and Environmental Studies will offer and provide for numerous ancillary teaching functions. The laboratory/classroom facility will contain modern, high technology capability for innovative research, both basic and applied, and will allow and support high-quality graduate training and education. Compressed video capability of the classrooms will allow faculty located at the Center and at Moscow to instruct undergraduate and graduate courses and provide lectures for courses in CALS degree programs, bi-directionally between the UI campus and the Center. The compressed video linkage will also provide for undergraduate and technical courses offered between the College of Southern Idaho and the CLES.

Living facilities will also be available to accommodate undergraduate and graduate students during their time at the CLES. These facilities will also be utilized by faculty to facilitate travel from other locations to the CLES for teaching and research purposes.

V. Program Description - Research and Extension

With the rapid growth of the dairy industry during the past two decades, concern has arisen as to the industry's potential environmental impact. The proposed Research Center will serve a pivotal role in understanding environmental problems confronting the dairy industry while researching and demonstrating control technologies and management solutions that will be economically viable and sustainable. Modern technology at the proposed Center will allow efficient monitoring and data collection not currently available. Further, the increased size will allow multiple evaluations within a single herd or facility improving experimental control of critical variables.

Odor and air quality research at the Center will focus on quantifying and reducing the amount of odorous compounds (such as ammonia and hydrogen sulfide), particulates, and greenhouse gases that are generated on typical dairies in the Pacific Northwest. To accomplish this goal, specialized research barns and confined lots are designed to assist engineers and animal scientists in developing dairy and livestock systems which will minimize air and particulate emissions while maintaining high levels of production.

As an example, the "Environmental Research Barn" is planned to have eight rooms that will house eight cows in each room. These rooms will serve as "environmental chambers", where independently controlled air and manure handling systems allow researchers to investigate the interactions between feed type, confined housing configuration, and waste (manure) management system to the quantity and composition of odor and air emissions. Research will also be conducted on developing "farm friendly" manure treatment systems that reduce odor and air emissions while preserving the fertilizer-value of manure.

Dairies in Idaho and Pacific Northwest are unique strictly because they are in a desert. Research at the Center will focus heavily on developing management systems which conserve our finite supply of water while relying on manure and wastewater from the dairy and feedlot to grow high-yield and high-quality crops. Irrigation engineers will work along side soil and crop scientists to establish highly-efficient production systems that minimize detrimental impacts to the soil or to groundwater.

Farmers have known since the beginning of time that manure is valuable for it fertilizer value to grow crops. Research at the Center will also focus on other valuable aspects of manure, especially as it relates to energy production and land reclamation. Researchers will evaluate technologies such as gasification, anaerobic digestion, and sequencing anaerobic batch-reactors to produce energy or natural gas while reducing air emissions and the volume of material normally associated with storing manure on the farm. Wastewater from the Center will be used to produce "energy crops" such as switch grass, rapeseed, and hybrid-sugar beets that are uniquely fashioned for their high-oil or sugar qualities that can be used in bio-diesel or ethanol production. With fertilizer being the major input to these value-added crops, the vast quantities of manure on farms offer an alternative revenue stream for livestock producers. Lastly, researchers will investigate several techniques to process manure into products such as hydro-seed mixtures, bio-mulches, or pelleted compost so they can be marketed off the farm. These products, because of the soil building properties have become heavily sought after, not only by gardeners, but also by land renovation projects related to highway construction, erosion control and mining reclamation.

The Center for Livestock and Environmental Studies will have sufficient size and experimental design to address a wide variety of basic research needs. Additionally, the center will allow for translational research which must occur for technology transfer (extension) and adoption by the dairy industry.

The major research and extension/outreach performed at this world class, cutting edge facility will include:

- nutrient management
- odor, greenhouse gas, and particulate control
- water utilization and protection
- production management – nutrition, reproduction, lactation, animal health, economics and sustainability
- green energy production
- labor management

Research will also be conducted on functional foods that will provide value-added benefits to milk produced in Idaho. Importantly, research efforts in biosecurity may lead to a need for a facility capable of studying potential bioterrorism agents.

The Center will tremendously enhance interdisciplinary team or systems approaches to research, extension, and undergraduate and graduate training and education. Current teams include: 1) nutrient and odor management and air and water quality with faculty from animal and veterinary science, soil science, biological and agricultural engineering, environmental sciences, and agronomy, 2) improved milk composition with faculty from animal and veterinary science, food science, and human nutrition, 3) food safety with faculty from animal and veterinary science, food science, microbiology, 4) dairy management with faculty in animal science, agribusiness, and agricultural economics, 5) reproductive biology with faculty in many departments and active in the Center for Reproductive Biology, 6) molecular biology with faculty in animal science, microbiology and molecular biology, 7) Sustainability and enhanced profitability with faculty in animal science, agribusiness, agricultural economics, and food science, 8) animal health and diseases with faculty in animal and veterinary sciences (Caine Veterinary Teaching Center) and microbiology, and, 8) animal welfare with faculty in animal and veterinary science.

VI. Faculty & Administrative/Technical Support

VI-A. Existing Faculty located at Twin Falls/Kimberly

The College of Agricultural and Life Sciences has faculty and support staff at several locations around Idaho, but principally at the Research and Extension Centers. The following faculty are located at the Twin Falls R & E Center. These faculty positions have split appointments in research and extension and are currently heavily involved in livestock systems and the associated environmental issues. When the CLES is established, all positions will have significant research and extension programming at the new Center. The program coordinator positions advises students in the AST program, coordinates compressed video course scheduling, and interacts directly with the faculty in the Department of Agricultural and Extension Education.

- Beef Specialist (1.0 FTE) – Twin Falls
- Dairy Specialist (1.0 FTE) – Twin Falls
- Soil Environmental Specialist (1.0 FTE) – Twin Falls
- Waste Management/Environmental Engineer (1.0 FTE) – Twin Falls
- Program Coordinator (staff) – Twin Falls/CSI

These faculty positions have clerical and budgetary support within the Twin Falls Office.

VI-B. Proposed relocation of faculty

As part of its strategic planning for signature programs, an agricultural engineering position is being relocated from Aberdeen R & E Center to Twin Falls to strengthen capability in environmental research. An additional position will be reallocated from another location in a yet to be determined disciplinary area, but possible areas included forage management, entomology, and animal health. Additionally, when the CLES is operational a teaching position will be relocated from campus to Twin Falls to provide direction for first year Ag Education teachers in southern Idaho, will teach several foundation agricultural sciences courses at CSI in support of academic programs, and will also advise and mentor students engaged in internships.

1. Environmental/Agricultural Engineer (1.0 FTE) – from Aberdeen to CLES
2. 1.0 FTE, either forage, entomology, or animal science
3. Agricultural Science Education (1.0 FTE) – from UI campus to CSI, Twin Falls

VI-C. Required new faculty and support positions:

Currently, the primary research and teaching faculty are located at Moscow and are important to undergraduate and graduate education across all academic programs in Animal and Veterinary Sciences. The Moscow-based faculty will support and offer courses for delivery via compressed video (or other formats) to Twin Falls and to the CLES facility.

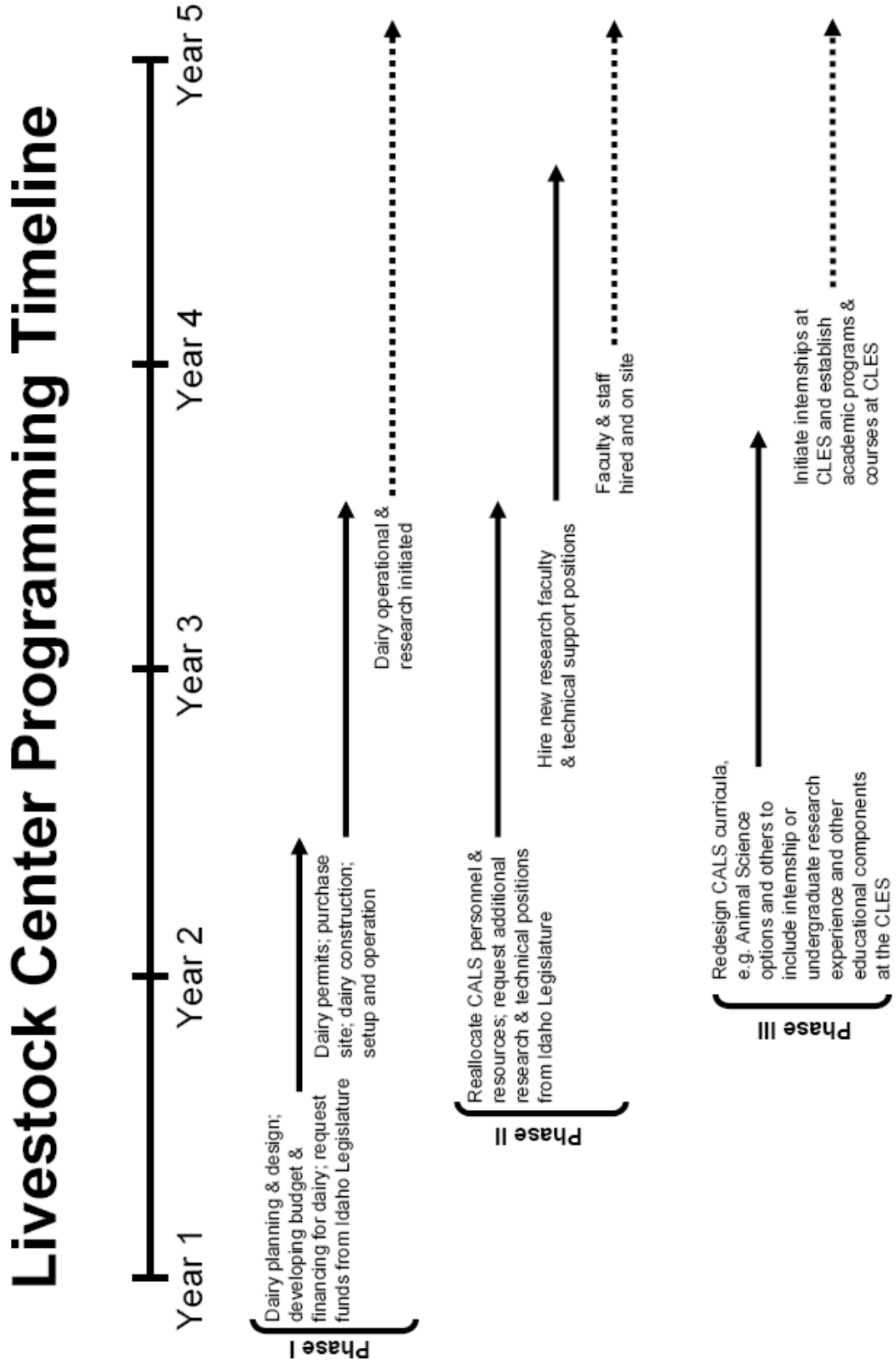
It is important that research faculty be located at the CLES to provide a critical disciplinary core to strengthen on-site research in livestock and environmental areas and to provide strong collaborative capabilities with Moscow-based scientists, which primarily perform fundamental and basic research.

The following research faculty and support positions to be located at the CLES will be requested in the Agricultural Research and Extension Appropriation following development and construction of the CLES:

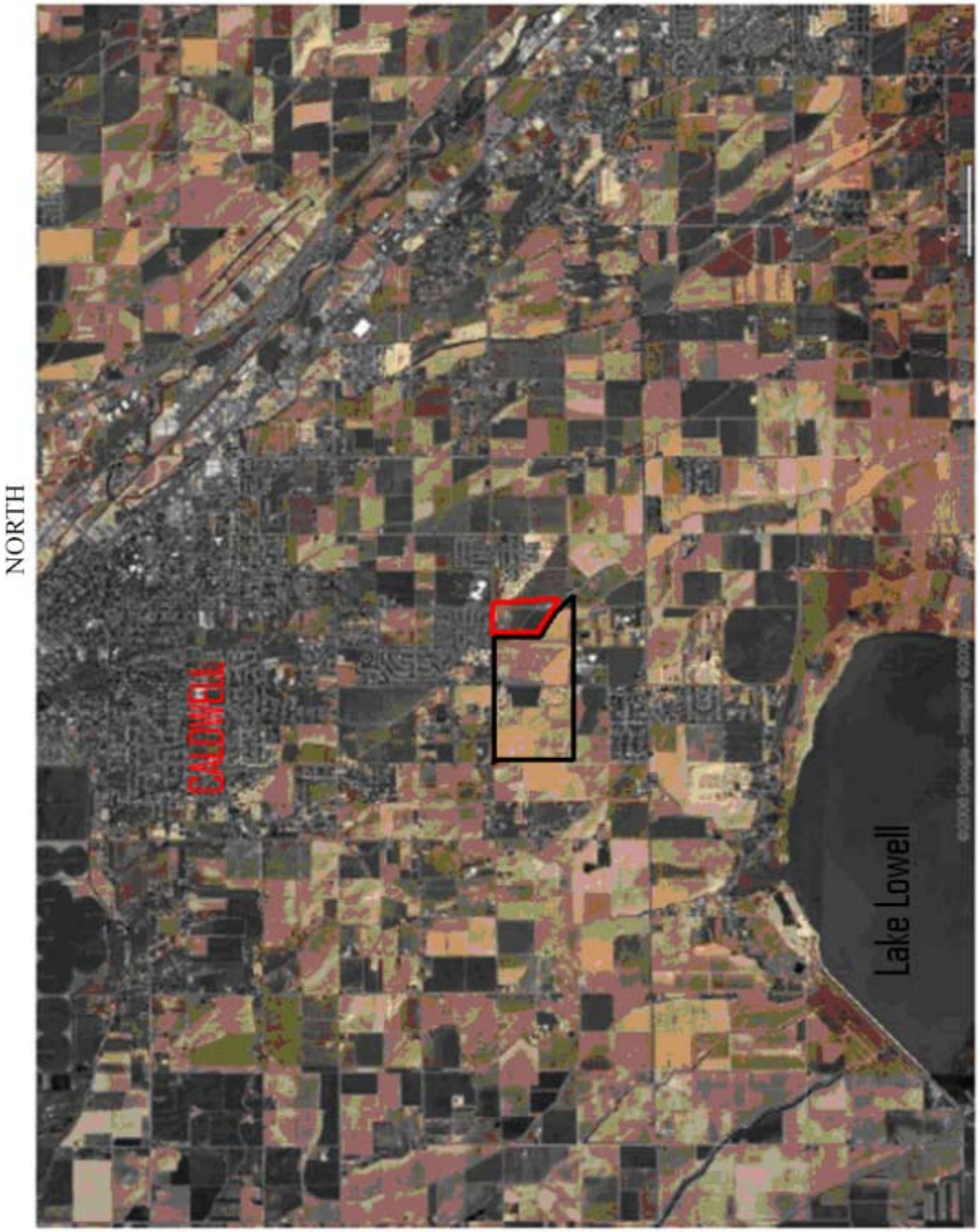
1. Dairy/beef Management (faculty) – Nutrition (1.0 FTE)
2. Dairy/beef Management (faculty) – Reproduction (1.0 FTE)
3. Research Veterinarian (faculty)– Animal Disease/Herd Health (1.0 FTE)
4. Technical Support - Soil & Water Chemistry
5. Technical Support – Environmental Engineering
6. Technical Support – Environmental Research
7. Technical Support – Food Animal Research
8. Technical Support – Food Animal Research
9. Clerical Support – CLES Office Coordinator

The requested positions will be located at the CLES site. The faculty positions will be primarily research, but will have some teaching responsibility for courses at the CLES and will serve as on-site mentors for undergraduates engaged in internships and undergraduate research. The technician positions will provide research technical support for both Moscow-based and on-site scientists. The clerical support position provide general office support and perform clerical duties for the faculty and technical support positions on-site.

The following timeline is provided to demonstrate the planned request for positions and initiation of academic activities at the CLES.


Livestock Center Programming Timeline
Year 1
Year 2
Year 3
Year 4
Year 5
Phase I
Dairy planning & design; developing budget & financing for dairy; request funds from Idaho Legislature
Dairy permits; purchase site; dairy construction; setup and operation
Dairy operational & research initiated
Phase II
Reallocate CALS personnel & resources; request additional research & technical positions from Idaho Legislature
Hire new research faculty & technical support positions
Faculty & staff hired and on site
Phase III
Redesign CALS curricula, e.g. Animal Science options and others to include internship or undergraduate research experience and other educational components at the CLES
Initiate internships at CLES and establish academic programs & courses at CLES

Attachment 3 – Aerial View



High elevation view – Caldwell and location of Dairy and Caine Veterinary Center

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Attachment 4 – Draft - Projected Build-Out Costs

Build-out projection - all	High	Low	Difference	% change
Cows	$ 3,376,250	$ 3,376,250	$ -	
Milking Facility /Milking Equipment/Feed Storage	$ 7,337,578	$ 5,130,911	$ 2,206,667	23.92%
Hospital/Research Milking Barn	$ 1,113,000	$ 893,000	$ 220,000	2.38%
Manure Handling/Digester	$ 1,392,504	$ 1,043,481	$ 349,023	3.78%
Scales and Scale House	$ 60,000	$ 60,000	$ -	0.00%
Grading	$ 1,650,000	$ 1,102,000	$ 548,000	5.94%
Feeding Center	$ 782,500	$ 620,000	$ 162,500	1.76%
Heifer Facility	$ 1,719,500	$ 611,000	$ 1,108,500	12.02%
Land	$ 5,000,000	$ 5,000,000	$ -	0.00%
Research buildings / classrooms/labs	$ 4,827,000	$ 2,543,700	$ 2,283,300	24.75%
Research Barns	$ 808,500	$ 633,500	$ 175,000	1.90%
Rolling Stock	$ 1,195,000	$ 1,145,000	$ 50,000	0.54%
Wells	$ 60,000	$ 40,000	$ 20,000	0.22%
Utilities	$ 350,000	$ 250,000	$ 100,000	1.08%
Working Capital/Minimum Prudent Reserve	$ 3,000,000	$ 2,500,000	$ 500,000	5.42%
Equipment Storage	$ 350,000	$ 210,000	$ 140,000	1.52%
Security/Perimeter Fencing	$ 239,200	$ 119,600	$ 119,600	1.30%
Architecture/Design/Permits	$ 500,000	$ 250,000	$ 250,000	2.71%
Roads/Landscaping	$ 1,224,000	$ 232,000	$ 992,000	10.75%
	$ 34,985,032	$ 25,760,442	$ 9,224,590	100%

Build-out projection - Real Estate, buildings & fixtures only			
Cows	$ -	$ -	$ -
Milking Facility /Milking Equipment/Feed Storage	$ 7,337,578	$ 5,130,911	$ 2,206,667
Hospital/Research Milking Barn	$ 1,113,000	$ 893,000	$ 220,000
Manure Handling/Digester	$ 1,392,504	$ 1,043,481	$ 349,023
Scales and Scale House	$ 60,000	$ 60,000	$ -
Grading	$ 1,650,000	$ 1,102,000	$ 548,000
Feeding Center	$ 782,500	$ 620,000	$ 162,500
Heifer Facility	$ 1,719,500	$ 611,000	$ 1,108,500
Land	$ 5,000,000	$ 5,000,000	$ -
Research buildings / classrooms/labs	$ 4,827,000	$ 2,543,700	$ 2,283,300
Research Barns	$ 808,500	$ 633,500	$ 175,000
Rolling Stock	$ -	$ -	$ -
Wells	$ 60,000	$ 40,000	$ 20,000
Utilities	$ 350,000	$ 250,000	$ 100,000
Working Capital/Minimum Prudent Reserve	$ -	$ -	$ -
Equipment Storage	$ 350,000	$ 210,000	$ 140,000
Security/Perimeter Fencing	$ 239,200	$ 119,600	$ 119,600
Architecture/Design/Permits	$ 500,000	$ 250,000	$ 250,000
Roads/Landscaping	$ 1,224,000	$ 232,000	$ 992,000
	$ 27,413,782	$ 18,739,192	$ 8,674,590
% of Total Build-out projection all	78%	73%	

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Attachment 5 – Self-Sustaining Operating Analysis

Draft - Financial Overview of Operations with Exhibits

Attached to this Operating Analysis are supporting schedules as follows:

Assumptions to Financial Projections
Schedule A – Schedule Sources and Uses of Funds & Cost Estimates,
Schedule B - Cash Flow Projections,
Schedule C - Projected Results from Operations,
Schedule D - Balance Sheet Analysis and
Schedule E - Risk Management Pivot Tables.

It is currently assumed that the research will be conducted with individual grants or University or college funds. Education will be funded from the University or college conducting the education. The facility will implement a cost accounting system that adequately compensates for the use of the facility by each user, research and education, on a case by case basis.

The financial projections include a sources and uses of funds, a forty-eight month cash flow, a projected modified accrual income statement and a projected modified accrual balance sheet. Additionally, pivot charts as shown in Exhibit A1, evaluate the risk associated to the projections based upon fluctuating milk price, feed costs and milk production per cow per day.

The sources and uses outlines the sources of funds for the construction of the Center. The Center will include the land purchase of land, construction of a new 1,800 cow dairy, population of the mature cattle herd, a research and education laboratory, environmental research equipment, classrooms and housing. A working capital/prudent reserve will also be established in the amount of $2,500,000 to cushion the volatility of the economics of the dairy industry as more fully described in the assumptions to the financial projections. The individual costs of construction are contained in Exhibit 2, Schedule A1. The sources of cash as outlined in detail in the projections comes from JFAC ($10,000,000), University of Idaho ($10,000,000), and the Idaho dairyman ($5,000,000), of which, part will be an in-kind donation.

A forty-eight month projected cash flow can be found in Exhibit 2, Schedule B, and represents the population of the dairy herd with springers, milk production and expenses as detailed in the assumptions, and the growth of heifer replacement program beginning in month 27 of operations. The forty eight month cumulative projected net cash flow is $186,624 including an investment of $1,383,327 in the heifer replacement program from month 27 through 48. The breakeven milk price for the projected 48 months is $11.88 per cwt under the assumptions discussed in Exhibit 2, Schedule C.

A projected modified accrual based income statement reflects operation results for the four year period and is derived from the projected cash flow. The projected income statement does not include depreciation due to the fact that repairs and maintenance has been projected high in regards to a new dairy facility and little functional

obsolescence is foreseen. The cattle equity growth through the establishment of the heifer replacement program is represented as well as the gain and loss on the sale of mature cows. The mature herd is projected to be maintained at a value consistent with inception due to ongoing normal industry culling practices.

Risk Management

Risk management must be practiced in the ongoing daily operations of the Center Dairy to minimize volatility and therefore risk in the areas of milk price received and feed price paid. Volatility in the dairy industry can be greatly reduced utilizing risk management practices (hedging). These practices are commonly used by producers throughout the United States using well established hedging practices. The hedging practices carried out in trades at the Chicago Mercantile Exchange and the Chicago Board of Trade includes evaluating market data and trends and employing strategies to smooth out the volatility. Exhibit 3 is a summary of the Class III milk price received over the past 14 years coupled with the expected basis for the State of Idaho. During this period of time the average gross blend price paid was $11.75 per cwt. assuming an average basis of $.67 per cwt. As can be seen in the Schedule the gross pay price per cwt. has ranged between $9.07 per cwt. (2000) and $14.72 per cwt. (2004). While basis can vary dramatically on a month to month basis a monthly average between November of 2004 and September of 2006 is a negative $0.67 per cwt and is utilized in looking at the data.

A study completed on producers using the Dairy Farmers of America (milk co-op) hedging program for milk for the period of January 1, 2000 through August 1, 2006 reflects a weighted average of $0.20 per cwt advantage for producers who hedged versus those that did not hedge milk. While this advantage may not sound significant the weighted average for hedgers never fell below the $10.80 per cwt. mark. In turn the hedgers never received in excess of $15.50 per cwt on a weighted average basis. Bottom line the hedging of milk created stability in a very volatile market.
The same thought process should also be utilized in the grain markets to stabilize the input costs of grains and feed additives. Since approximately fifty percent of all dairy expenses are associated with feed it is imperative that active hedging also be utilized in feed purchases to maximize the milk/feed price ratio.

Due to the fact that the main objective from a dairy operations standpoint is self sustainability followed by profitability, hedging of the milk (at least 50-60% is recommended) along with a majority of the feed is highly recommended. The authors have worked closely with Downe's and O'Neill (D and O) in the past to develop hedge strategies for various producers and would recommend that a firm such as D and O be utilized to develop various strategies to meet budget expectations. D and O is headquartered in Chicago and trades for many different processors and producers with the main focus being the dairy markets. D and O also has a seat in the dairy commodities pit at the CME.

As can be seen in the pivot tables in found in Exhibit 2, Schedule E, twenty seven different scenarios have been evaluated from a cash flow standpoint all driven off of the base cash flow found in Exhibit 2, Schedule B. Milk production, feed cost and gross milk price have all been evaluated under a low, middle and high scenario. The tables reflect

the projected outcomes in both a net cash flow (forty eight month period) and a break even milk price basis (forty eight month period). As can be seen in the tables should a $10.00 milk price be received over the whole 48 month term negative cash flow ranging between $593,000 and $4,624,857 could occur. While the probability of one these scenarios occurring is very unlikely over a complete 48 month period, in the event that there are low milk prices for an extended amount of time, high feed prices or milk production declines a prudent reserve in the amount of $2,500,000 working capital reserve has been established in the sources and uses to cover shortfalls. Additionally if the cash flow of the center dairy is performing poorly in the 3rd and 4th year of operations the heifer replacement program could be curtailed assisting in cash flow of approximately $1,300,000.

Should milk prices remain high and feed costs remain low with increased production the cash flow is projected to reflect a positive cash flow of $186,624 to $5,740,526 over the forty eight month period. From these tables it can be seen once again that there is volatility in the industry and the need for a prudent reserve coupled with a complete hedging program must be utilized for the Center dairy operations.

ASSUMPTIONS TO FINAL PROJECTIONS

Sources and Uses of Funds:

The sources and uses of funds have been compiled from various meetings with industry, government, University associates and Ag Tech Engineering and Environmental Associates (Matt Thompson-Twin Falls Idaho). The sources and uses will become more definitive as the site committee and the design committee moves through their process. The sources and uses as presented will act as a roadmap to overall financial projections of the Center exclusive of University and college faculty and researchers. The following is a description of the sources and uses.

- It is assumed that the State of Idaho Dairyman will gift the cows/springers to the Center. It is projected that the dairyman will gift 1,825 head of mature springers that will enter into the Center's milking herd during the first five months of operation. Current market value of mature springers is estimated at $1,850 per head.

- A total capital outlay for raw land and the associated interest in a wastewater agreement has been estimated at $5,000,000. As the site committee continues to move forward this outlay will become more definitive. Preliminary indications from the site committee indicate that this outlay is well within reason. Additionally appraisals will be preformed by independent appraisers prior to any completed purchase/agreement.

- Matt Thompson has compiled an estimated cost of the construction for the Center as detailed in the Cost Estimate Schedule located in Exhibit 2, Schedule A1.

    - Freestall housing for 800 mature cows (50% ventilated)
    - 1100 open lots for mature cows
    - Special needs area including hospital maternity area for 180 cows
    - Research barns for 500 head of dairy and beef cattle
    - Heifer housing for 2,050 dairy heifers age day old to 27 months
    - Two double 16 milking parlors with milking and milk storage equipment
    - One double 8 milking parlor for research and hospital purposes
    - Feeding center to include a commodity barn and asphalt, silage and feed pad
    - All grading for construction and waste storage
    - Waste system including gasifier and composite area
    - Miscellaneous including:
        - Fencing
        - Wells
        - Utilities
        - Roads
        - Rolling equipment for feed and waste handling

- A working capital/prudent reserve is being projected at $3,000,000 and $2,500,000 for high and low estimates, respectively. This reserve account will provide a cushion for milk prices dropping below projections, dramatic cost increases or head health or production issues (refer to Risk Management section). The board of directors will monitor the prudent reserve and increase it or decrease based upon monthly, quarterly and annual financial reporting. Should the board elect to decrease the reserve the funds may only be used for capital improvements at the Center or returned directly to the University of Idaho-College of Agriculture and Life Sciences for educational purposes directly related to the Center.

- It is currently projected that a $10,000,000 Joint Finance Appropriations Committee resolution will fund a portion of the project as well as a matching contribution of $10,000,000 from the University of Idaho. The Idaho Dairymen will contribute cattle and cash with an estimated value of $5,000,000.

ASSUMPTIONS TO FINAL PROJECTIONS (cont.)

Base Cash Flow Projections (inception-48months):

The 4 year cash flow projections are presented on a cash basis with a heifer replacement program being started in the 27th month of operation. The projections cover a time period of January 2008 (inception of milking operations) through December of 2011. The cash flow reflects a projected margin of $186,624 for the period while also investing in a full heifer replacement program (capital purchase) for the months of 27 through 48. No debt repayment is projected with the exception of a normal feed line utilized to inventory feed (silage and hay) during the harvest season. The following assumptions were made for the projections based upon historical averages published by the USDA and also reviewed and summarized in the Moore Stephens Frazer and Torbet Operating Trends (Exhibit 6).

- As discussed in the sources and uses section of the assumptions it is projected that dairyman of the State of Idaho will gift 1,825 springers (heifers bred 7-9 months) to the Center in order to populate the dairy.
- The cash flow projections represents that those springers will enter the milking herd over a 5 month interval.
- It is anticipated that an annual 10% death rate and cull rate will occur in those springers prior to entering the milking herd. Cull heifers are projected to be sold at $200 per head (average).
- All bull and heifer calves are projected to be sold at birth at an average price of $200 per head. A 5% mortality rate is projected at birth. Heifer calves may be sold to a custom raiser with an agreement to have first right of refusal to repurchase them at springers in order to maintain the genetic pool.
- It is projected that an annual cull rate of the mature herd is 33% with a cull cow bringing an average of $400 per head.
- Pregnancy rate of cows is projected to 8% of the milking herd (monthly) beginning in the second month of operation. Pregnant cows are projected to enter the dry corral (not produce milk) in the 7th month of their pregnancy and return to the milking herd at the birth of their calf 60 days later. Due to the large influx of cattle populating the herd in the first five months of operation a majority of the mature cows will be lactating until months 7 and 8 causing for minimal overcrowding. Additionally as cows are projected to go dry and culled the milking herd will decrease causing the need for large capital expenditures of replacement cattle in months 9 through 13. The cost of the replacement animal is projected at $1,850.
- Production per cow per month is projected at inception at 70 lbs. per cow per day (2x) to increase 72 lbs in month 8, onto 74 lbs in month 12 and reaching a maximum at 75 lbs in the 25th month and continuing until the 48 month.
- Milk price has been projected at $12.00 (gross) per cwt. based upon historical performance in the Idaho market (refer to Exhibit 4). Milk price is volatile with Class III ranging between $9.74 and $14.20 for the past 5½ years. Thus the need for a well funded prudent reserve in addition to the center utilizing proper risk management tools in both outputs (milk) and inputs (feed, energy, etc.)
- Hauling and state and association charges have been projected at $.30 per cwt. and $.25 per cwt., respectively. These costs are in line with industry standards.
- Crop income has been projected at $5,000 per month and represents a cost savings of raising feed on land controlled by the Center for the cattle as opposed to purchasing the feed on the open market.

ASSUMPTIONS TO FINAL PROJECTIONS (cont.)

- Research and miscellaneous income have been projected at $.20 per cwt., dependent on the accounting methods adopted by the Board of Directors regarding the use of the dairy for the research this projection may be altered.

- Feed expense for lactating cattle is projected at $3.90 per cow per day; dry cows $2.00 per cow per day and heifers at $1.40 per head per day. These projected feed costs appear within industry standards; however, they may vary depending on dairy management and milk production levels attained, and have been evaluated in pivot tables contained in Exhibit 2, Schedule E.

- Labor for the ongoing dairy operations is projected at $1.00 per cwt. an industry average. This labor charge does not include fringe benefits or workman's compensation (under separate line items) nor does it include any labor for education or research. The administrative fee covers the CEO position projected at $15,000 per month.

- The operating expenses are all projected at industry averages (on a per cwt. basis) derived from experience with actual dairy farms in the Western United States and the Moore Stephens Wurth Frazer and Torbet, LLP Operating Trends (Exhibit 6).

- The repairs and maintenance category at $.40 per cwt. is projected to maintain the new facility as well as to account for minimal depreciation.

- Purchased replacement cows are projected to cost $1,850 per head. As discussed earlier, as the cows from the initial herd go dry and are culled an abnormal amount of replacements will need to be purchased for a period of time in the months of 9 through 13. Normal replacements are projected to occur after that time averaging approximately 50 head per month.

- Day old heifers are projected to be kept and fed by the dairy beginning in month 27 to establish a self-raised heifer program. While this projection will produce pressure on the cash flow (due to raising and purchasing replacements for a two year period)

- It is projected that feed (hay and silage) will be inventoried at harvest to ensure an annual supply and that borrowing will be required to cover this. Principal will be paid as the feed is utilized and is included in the feed section and interest is projected to be paid monthly on average outstanding line of $1,500,000 at 7.5%.

- Over the projected 48 months, the monthly cash flow ranges from a positive $139,714 in month 5 to a negative $52,216 in month 48. The large negative is the result of the projection including the establishment of a heifer replacement program in months 27-48 which is an investment in a capital asset. Over the 48 month period the cumulative cash flow reaches a positive $688,973 in month 29 before dropping to $186,624 in month 48.

Income Statement

The income statement is presented on over a 48 month period in a modified accrual basis. The income statement projection presents the cash flow statement in annual fashion.

The income statement does not take into account depreciation. The cattle are replaced in an ongoing dairy like manner through cash flow. Repair and maintenance expenditures, to keep the facility well maintained, are included in the operating expenses. Functional obsolescence is considered to be minimal over the four year projection.

Net cash flow projections for years 1-4 reflect a net cash flow of $313,000 in year 1 or $0.97 per cwt.; $293,641 in year 2 or 0.72 per cwt.; $22,882 or $0.02 per cwt. in year 3 and $443,299 or $1.11 per cwt. in year 4. Overall projected cash flow for the four year period is $186,264 or $0.12 per cwt.

ASSUMPTIONS TO FINAL PROJECTIONS (cont.)

The change in equity has also been projected in the income statement by reducing cash flow by the cost of the cows sold and offsetting it with the purchase of cows and the equity being built in the self raised program. The projected equity change for the four year period is $1,383,327 created by positive cash flow and the establishment of a heifer replacement program (capital purchase) through operational cash flow.

DRAFT - For Discussion Purposes Only

SCHEDULE A
Page 1 of 14

SOURCES AND USES OF FUNDS

		High	Low	High/Low Difference	% of Difference
Uses of Funds					
	Cows	$ 3,376,250	$ 3,376,250	$ -	0.00%
(a)	Milking Facility /Milking Equipment/Feed Storage	7,337,578	5,130,911	2,206,667	23.92%
(a)	Hospital/Research Milking Barn	1,113,000	893,000	220,000	2.38%
	Manure Handling/Digester	1,392,504	1,043,481	349,022	3.78%
	Scales and Scale House	60,000	60,000	-	0.00%
	Grading	1,650,000	1,102,000	548,000	5.94%
	Feeding Center	782,500	620,000	162,500	1.76%
	Heifer Facility	1,719,500	611,000	1,108,500	12.02%
	Land	5,000,000	5,000,000	-	0.00%
	Research buildings / classrooms/labs.	4,827,000	2,543,700	2,283,300	24.75%
	Research Barns	808,500	633,500	175,000	1.90%
(a)	Rolling Stock	1,195,000	1,145,000	50,000	0.54%
	Wells	60,000	40,000	20,000	0.22%
	Utilities	350,000	250,000	100,000	1.08%
	Working Capital/Minimum Prudent Reserve	3,000,000	2,500,000	500,000	5.42%
	Equipment Storage	350,000	210,000	140,000	1.52%
	Security/Perimeter Fencing	239,200	119,600	119,600	1.30%
	Architecture/Design/Permits	500,000	250,000	250,000	2.71%
	Roads/Landscaping	1,224,000	232,000	992,000	10.75%
	Total Uses of Funds	$ 34,985,031	$ 25,760,443	$ 9,224,589	100%
Sources of Funds					
	Allied Industry	$ 5,000,000	$ 5,000,000	$ -	0.00%
	Federal / Other Sources	-	-	-	0.00%
	Idaho Joint Finance Appropriations Committee (JFAC)	10,000,000	10,000,000	-	0.00%
	University of Idaho	10,000,000	10,000,000	-	0.00%
	Total Sources of Funds	25,000,000	25,000,000	-	0.00%
	Surplus/Deficit	$ (9,985,031)	$ (760,443)	$ (9,224,589)	

Footnotes

(a) Unit Costs	Units	Price per Unit High	Price per Unit Low	Total High	Total Low	High/Low Difference	% of Difference
Milking Equipment (2 double 16)	2	$ 817,000	$ 782,300	1,634,000	1,564,600	$ 69,400	0.75%
Milking Facility (2 double 16)	2	$ 1,200,000	$ 700,000	2,400,000	1,400,000	1,000,000	10.84%
Freestalls (cows)	400	$ 2,500	$ 2,000	1,000,000	800,000	200,000	2.17%
Ventilated Freestalls	400	$ 2,500	$ 2,000	1,000,000	800,000	200,000	2.17%
Open Lots (cows)	1100	$ 650	$ 350	715,000	385,000	330,000	3.58%
Special Needs	1	$ 588,578	$ 181,311	588,578	181,311	407,267	4.42%
				$ 7,337,578	$ 5,130,911	$ 2,206,667	23.92%
Milking Equipment (1 double 8)	1	$ 463,000	$ 443,000	$ 463,000	$ 443,000	$ 20,000	0.22%
Milking Facility (1 double 8)	1	$ 650,000	$ 450,000	650,000	450,000	200,000	2.17%
				$ 1,113,000	$ 893,000	$ 220,000	2.38%
Feed Truck(s)	2	$ 195,000	$ 195,000	$ 390,000	$ 390,000	$ -	0.00%
Loader (s)	2	$ 150,000	$ 150,000	300,000	300,000	-	0.00%
Tractors	4	$ 65,000	$ 65,000	260,000	260,000	-	0.00%
Generator	1	$ 80,000	$ 50,000	80,000	50,000	30,000	0.33%
Skid Steer Loaders	2	$ 40,000	$ 30,000	80,000	60,000	20,000	0.22%
Manure Vacuum	1	$ 85,000	$ 85,000	85,000	85,000	-	0.00%
				$ 1,195,000	$ 1,145,000	$ 50,000	0.54%

DRAFT - For Discussion Purposes Only

SCHEDULE A1
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University of Idaho Research Dairy Initial Cost Estimates

Steel Shell @ $5/sqft (shades)
Concrete @ 350/yrd

Dairy Facilities

Type	# Cows	Length	Width	#	Sq. Ft.	cubic yds	Low Unit Basis	High Unit Basis	High Estimate	Low Estimate	Totals High Estimate	Totals Low Estimate	DIF
Freestall	400			1			2000	2,500	$ 1,000,000	$ 800,000	$ 1,000,000	$ 800,000	$ (200,000)
Ventilated Freestall	400	216	216	1			2000	2500	$ 1,000,000	$ 800,000	$ 1,000,000	$ 800,000	$ (200,000)
Open Lots	1100			1			350	650	$ 715,000	$ 385,000	$ 715,000	$ 385,000	$ (330,000)
Special Needs													
Hospital Area	60	164	80	1	13120	121.5			$ 304,919	$ 99,007			
Maternity Area	120	164	80	1	13120	60.74			$ 283,659	$ 82,304	$ 588,578	$ 181,311	$ (407,267)
Small Research Barns		40	68	8	2720	403	25000	37500	$ 300,000	$ 200,000			
calan gates				100			1000		$ 100,000	$ 100,000			
Grow Safe				150			1000		$ 150,000	$ 150,000			
Beef	500						300	450	$ 225,000	$ 150,000			
Data Ranger				1			33500	33500	$ 33,500	$ 33,500	$ 808,500	$ 633,500	$ (175,000)
Heifer Operation													
calf barn		230	90	1	20700		0	35	$ 724,500	$ -			
calf hutches	180			1			250	0	$ -	$ 45,000			
calf weaning	60	12	30	6	2160	40	400	500	$ 30,000	$ 24,000			
small lots	180	30	90	6			400	500	$ 90,000	$ 72,000			
heifer pens	100	70	250	2			300	600	$ 60,000	$ 30,000			
heifer pens	600	170	250	6			325	600	$ 360,000	$ 195,000			
breed heifers	700	200	250	7			350	650	$ 455,000	$ 245,000			
	1820										$ 1,719,500	$ 611,000	$ (1,108,500)
Double 16 Parlors													
Structure				2			700000	1200000	$ 2,400,000	$ 1,400,000			
Equipment	16			2			782300	817000	$ 1,634,000	$ 1,564,600			
Generator				1			50000	80000	$ 80,000	$ 50,000	$ 4,114,000	$ 3,014,600	$ (1,099,400)
Double 8 Parlor													
Structure				1			450000	650000	$ 650,000	$ 450,000			
Equipment	8			1			443000	463000	$ 463,000	$ 443,000	$ 1,113,000	$ 893,000	$ (220,000)
Feeding Center													
Commodity barn		40	20	10			23000	28000	$ 280,000	$ 230,000			
Feed Pad Asphalt		500	300	1	150000		2.5	3.25	$ 487,500	$ 375,000			
Mixer				1			15000	15000	$ 15,000	$ 15,000			
Scale 105'				1			60000	60000	$ 60,000	$ 60,000			
Feed Trucks				2			195000	195000	$ 390,000	$ 390,000			
Loaders				2			150000	150000	$ 300,000	$ 300,000			
Tractors				4			65000	65000	$ 260,000	$ 260,000	$ 1,792,500	$ 1,630,000	$ (162,500)
Grading					yds								
site					400000		1.9	3	$ 1,200,000	$ 760,000			
ponds					180000		1.9	2.5	$ 450,000	$ 342,000	$ 1,650,000	$ 1,102,000	$ (548,000)
Waste System													
Concrete Cells		234	124	1	29016	537			$ 188,067	$ 147,767			
Waste Treat Buld.		200	125	1	25000	463			$ 412,037	$ 252,315			
Gasifier				1			400000	500000	$ 500,000	$ 400,000			
pits				2		122			$ 85,400	$ 85,400			
composting asphalt		300	200	1	60000		2.5	3.25	$ 195,000	$ 150,000			
pumps				2			4000	6000	$ 12,000	$ 8,000			
Vacuum Truck				1			85000	85000	$ 85,000	$ 85,000			
Skid Steer Loaders				2			30000	40000	$ 80,000	$ 60,000	$ 1,557,504	$ 1,188,481	$ (369,022)
Perimeter Fence		9200					13	26	$ 239,200	$ 119,600	$ 239,200	$ 119,600	$ (119,600)
Equipment Storage					7000		30	50	$ 350,000	$ 210,000	$ 350,000	$ 210,000	$ (140,000)
Roads		10560	25	1	264000		0.5	3.5	$ 924,000	$ 132,000	$ 924,000	$ 132,000	$ (792,000)
Cows (in kind)	1825						1850	1850	$ 3,376,250	$ 3,376,250	$ 3,376,250	$ 3,376,250	$ -
Land	1000						5000	5000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ -
Laboratory (lab)		55	90		4950		350	500	$ 2,475,000	$ 1,732,500			
Laboratory (office)		52	104		5408		150	250	$ 1,352,000	$ 811,200	$ 3,827,000	$ 2,543,700	$ (1,283,300)
Housing							0	1000000	$ 1,000,000	$ -	$ 1,000,000	$ -	$ (1,000,000)
Wells				1			40000	60000	$ 60,000	$ 40,000	$ 60,000	$ 40,000	$ (20,000)
Utilities							250000	350000	$ 350,000	$ 250,000	$ 350,000	$ 250,000	$ (100,000)
Working Capital							3000000	3000000	$ 3,000,000	$ 2,500,000	$ 3,000,000	$ 2,500,000	$ (500,000)
Design/Permitting							250000	500000	$ 500,000	$ 250,000	$ 500,000	$ 250,000	$ (250,000)
Landscaping							100000	300000	$ 300,000	$ 100,000	$ 300,000	$ 100,000	$ (200,000)
										Total Dairy Cost	$ 34,985,031	$ 25,760,443	$ (9,224,589)
						Total Cows	1825			cost/cow all items	$ 19,170	$ 14,115	
										cost/cow dairy specific items	$ 9,769	$ 7,886	

The following 16 pages (Schedule B) contain draft cash flow projections for the first 48 months of operations of the Center.

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

		Jan-08 Month 1	Feb-08 Month 2	Mar-08 Month 3
Days per Month		31	28	31
Beginning Heifers	52	0	1510	1197
Heifers from existing herd		1,825	0	0
Cull Heifers % (including dead)		0.84%	0.84%	0.84%
Heifers Entering Herd as Springers		300	300	300
Ending Heifers		**1,510**	**1,197**	**887**
Springers from Heifer Herd		300	300	300
Less Cull Springers		0	0	0
Fresh Cows from Existing Herd		0	0	0
Cows Pregnant		0	0	68
Purchased Cows		0	0	0
Beginning Mature Herd		300	592	876
Cull % (including dead) (Monthly)		2.75%	2.75%	2.75%
Cull Cows		(8)	(16)	(24)
Ending Mature Herd		**292**	**576**	**852**
Dry Cows entering		0	0	0
Dry Cows Leaving		0	0	0
Total Dry Cows		**0**	**0**	**0**
Dry Cow %		0.00%	0.00%	0.00%
Milking Herd		**292**	**576**	**852**
Total Herd		**292**	**576**	**852**
Days per Month		31	28	31

Income	$/CWT	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1	70		*70*		*70*		*70*
Cwts. Per month		**12.00**	**6,336.40**	**12.00**	**11,289.60**	**12.00**	**18,488.40**
Milk Price (gross)		$ 76,036.80	$ 12.00	$ 135,475.20	$ 12.00	$ 221,860.80	$ 12.00
Milk Hauling	$ 0.30	(1,900.92)	(0.30)	(3,386.88)	(0.30)	(5,546.52)	(0.30)
State and Association	$ 0.25	(1,584.10)	(0.25)	(2,822.40)	(0.25)	(4,622.10)	(0.25)
Calf Sales (dollars per calf)	$ 200.00	57,000.00	9.00	57,000.00	5.05	57,000.00	3.08
Heifer calf cull sales (dollars per calf)	$ 200.00	3,000.00	0.47	2,600.00	0.23	2,000.00	0.11
Cull Cows ($/head)	$ 400.00	3,200.00	0.51	6,400.00	0.57	9,600.00	0.52
Crop income	$ 5,000.00	5,000.00	0.79	5,000.00	0.44	5,000.00	0.27
Misc./Research	$ 0.20	1,267.28	0.20	2,257.92	0.20	3,697.68	0.20
Total Income		**$ 142,019.06**	**$ 22.41**	**$ 202,523.84**	**$ 17.94**	**$ 288,989.86**	**$ 15.63**
Feed Expense	$/head/day						
Feed cost per lactating cow per day	$ 3.90	$ 35,302.80	$ 5.57	$ 62,899.20	$ 5.57	$ 103,006.80	$ 5.57
Feed cost per dry cow per day	$ 2.00	-	-	-	-	-	-
Feed cost per heifer per day	$ 1.40	65,534.00	10.34	46,922.40	4.16	38,495.80	2.08
Total Feed Expense		**$ 100,836.80**	**$ 15.91**	**$ 109,821.60**	**$ 9.73**	**$ 141,502.60**	**$ 7.65**
Labor	$/person/month						
Administrative Fee	$ 10,000.00	$ 10,000.00	$ 1.58	$ 10,000.00	$ 0.89	$ 10,000.00	$ 0.54
Avg. monthly salary of other labor/exclusive of research	$ 1.00	$ 6,336.40	$ 1.00	$ 11,289.60	$ 1.00	$ 18,488.40	$ 1.00
Labor cost per month		**$ 16,336.40**	**$ 2.58**	**$ 21,289.60**	**$ 1.89**	**$ 28,488.40**	**$ 1.54**
Operating Expenses							
Supplies	$ 0.60	$ 3,801.84	$ 0.60	$ 6,773.76	$ 0.60	$ 11,093.04	$ 0.60
Corral cleaning	$ 0.09	570.28	0.09	1,016.06	0.09	1,663.96	0.09
Repairs & Maintenance	$ 0.40	2,534.56	0.40	4,515.84	0.40	7,395.36	0.40
Utilities	$ 0.28	1,774.19	0.28	3,161.09	0.28	5,176.75	0.28
Taxes & License	$ 0.21	1,330.64	0.21	2,370.82	0.21	3,882.56	0.21
Payroll Taxes (% of gross)	11%	1,797.00	0.28	2,341.86	0.21	3,133.72	0.17
Insurance	$ 0.16	1,013.82	0.16	1,806.34	0.16	2,958.14	0.16
Fuel	$ 0.14	887.10	0.14	1,580.54	0.14	2,588.38	0.14
Legal & Accounting	$ 0.07	443.55	0.07	790.27	0.07	1,294.19	0.07
Employee benefits	$ 0.04	253.46	0.04	451.58	0.04	739.54	0.04
Veterinary and breeding	$ 0.14	887.10	0.14	1,580.54	0.14	2,588.38	0.14
Testing and trimming	$ 0.08	506.91	0.08	903.17	0.08	1,479.07	0.08
Hauling livestock	$ 0.02	126.73	0.02	225.79	0.02	369.77	0.02
Miscellaneous	$ 0.20	1,267.28	0.20	2,257.92	0.20	3,697.68	0.20
Total Operating Expenses		**$ 17,194.46**	**$ 2.71**	**$ 29,775.58**	**$ 2.64**	**$ 48,060.54**	**$ 2.60**
% of expenses before capital expenditures to income		**95%**		**79%**		**75%**	
Capital Expenditures	$/Month						
Purchased Cows (Cost/Cow)	$ 1,850.00	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures		**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Borrowing/Repayment of Debt							
	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	Various	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 9,375.00	$ 1.48	$ 9,375.00	$ 0.83	$ 9,375.00	$ 0.51
Total Debt Service		**$ 9,375.00**	**$ 1.48**	**$ 9,375.00**	**$ 0.83**	**$ 9,375.00**	**$ 0.51**
Total Cash Outflows		**$ 143,742.66**	**$ 22.69**	**$ 170,261.78**	**$ 15.08**	**$ 227,426.54**	**$ 12.30**
Net Cash Flow per month		**$ (1,723.60)**	**$ (0.27)**	**$ 32,262.06**	**$ 2.86**	**$ 61,563.32**	**$ 3.33**
Net Cash Flow over the project		**$ (1,723.60)**		**$ 30,538.46**		**$ 92,101.78**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 4	Month 5	Month 6
Days per Month	30	31	30
Beginning Heifers	887	580	275
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	300	300	270
Ending Heifers	**580**	**275**	**3**
Springers from Heifer Herd	300	300	270
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	0	0	0
Cows Pregnant	90	110	128
Purchased Cows	0	0	0
Beginning Mature Herd	1152	1420	1651
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(32)	(39)	(45)
Ending Mature Herd	**1120**	**1381**	**1606**
Dry Cows entering	0	0	0
Dry Cows Leaving	0	0	0
Total Dry Cows	**0**	**0**	**0**
Dry Cow %	0.00%	0.00%	0.00%
Milking Herd	**1120**	**1381**	**1606**
Total Herd	**1120**	**1381**	**1606**
Days per Month	30	31	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***70***		***70***		***70***
Cwts. Per month	**12.00**	**23,520.00**	**12.00**	**29,967.70**	**12.00**	**33,726.00**
Milk Price (gross)	$ 282,240.00	$ 12.00	$ 359,612.40	$ 12.00	$ 404,712.00	$ 12.00
Milk Hauling	(7,056.00)	(0.30)	(8,990.31)	(0.30)	(10,117.80)	(0.30)
State and Association	(5,880.00)	(0.25)	(7,491.93)	(0.25)	(8,431.50)	(0.25)
Calf Sales (dollars per calf)	57,000.00	2.42	57,000.00	1.90	51,300.00	1.52
Heifer calf cull sales (dollars per calf)	1,400.00	0.06	1,000.00	0.03	400.00	0.01
Cull Cows ($/head)	12,800.00	0.54	15,600.00	0.52	18,000.00	0.53
Crop income	5,000.00	0.21	5,000.00	0.17	5,000.00	0.15
Misc./Research	4,704.00	0.20	5,993.54	0.20	6,745.20	0.20
Total Income	**$ 350,208.00**	**$ 14.89**	**$ 427,723.71**	**$ 14.27**	**$ 467,607.90**	**$ 13.86**
Feed Expense						
Feed cost per lactating cow per day	$ 131,040.00	$ 5.57	$ 166,962.90	$ 5.57	$ 187,902.00	$ 5.57
Feed cost per dry cow per day	-	-	-	-	-	-
Feed cost per heifer per day	24,360.00	1.04	11,935.00	0.40	126.00	0.00
Total Feed Expense	**$ 155,400.00**	**$ 6.61**	**$ 178,897.90**	**$ 5.97**	**$ 188,028.00**	**$ 5.58**
Labor						
Administrative Fee	$ 10,000.00	$ 0.43	$ 10,000.00	$ 0.33	$ 10,000.00	$ 0.30
Avg. monthly salary of other labor/exclusive of research	$ 23,520.00	$ 1.00	$ 29,967.70	$ 1.00	$ 33,726.00	$ 1.00
Labor cost per month	**$ 33,520.00**	**$ 1.43**	**$ 39,967.70**	**$ 1.33**	**$ 43,726.00**	**$ 1.30**
Operating Expenses						
Supplies	$ 14,112.00	$ 0.60	$ 17,980.62	$ 0.60	$ 20,235.60	$ 0.60
Corral cleaning	2,116.80	0.09	2,697.09	0.09	3,035.34	0.09
Repairs & Maintenance	9,408.00	0.40	11,987.08	0.40	13,490.40	0.40
Utilities	6,585.60	0.28	8,390.96	0.28	9,443.28	0.28
Taxes & License	4,939.20	0.21	6,293.22	0.21	7,082.46	0.21
Payroll Taxes (% of gross)	3,687.20	0.16	4,396.45	0.15	4,809.86	0.14
Insurance	3,763.20	0.16	4,794.83	0.16	5,396.16	0.16
Fuel	3,292.80	0.14	4,195.48	0.14	4,721.64	0.14
Legal & Accounting	1,646.40	0.07	2,097.74	0.07	2,360.82	0.07
Employee benefits	940.80	0.04	1,198.71	0.04	1,349.04	0.04
Veterinary and breeding	3,292.80	0.14	4,195.48	0.14	4,721.64	0.14
Testing and trimming	1,881.60	0.08	2,397.42	0.08	2,698.08	0.08
Hauling livestock	470.40	0.02	599.35	0.02	674.52	0.02
Miscellaneous	4,704.00	0.20	5,993.54	0.20	6,745.20	0.20
Total Operating Expenses	**$ 60,840.80**	**$ 2.59**	**$ 77,217.96**	**$ 2.58**	**$ 86,764.04**	**$ 2.57**
% of expenses before capital expenditures to income	**71%**		**69%**		**68%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ -	$ -	$ -	$ -	$ -	$ -
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.40	$ 9,375.00	$ 0.31	$ 9,375.00	$ 0.28
Total Debt Service	**$ 9,375.00**	**$ 0.40**	**$ 9,375.00**	**$ 0.31**	**$ 9,375.00**	**$ 0.28**
Total Cash Outflows	**$ 259,135.80**	**$ 11.02**	**$ 305,458.56**	**$ 10.19**	**$ 327,893.04**	**$ 9.72**
Net Cash Flow per month	**$ 91,072.20**	**$ 3.87**	**$ 122,265.15**	**$ 4.08**	**$ 139,714.86**	**$ 4.14**
Net Cash Flow over the project	**$ 183,173.98**		**$ 305,439.13**		**$ 445,153.99**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 7	Month 8	Month 9
Days per Month	31	31	30
Beginning Heifers	3	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	3	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	3	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	0	0	0
Cows Pregnant	125	122	121
Purchased Cows	0	0	100
Beginning Mature Herd	1609	1565	1622
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(44)	(43)	(45)
Ending Mature Herd	**1565**	**1522**	**1577**
Dry Cows entering	0	0	68
Dry Cows Leaving	0	0	0
Total Dry Cows	**0**	**0**	**68**
Dry Cow %	0.00%	0.00%	4.32%
Milking Herd	**1565**	**1522**	**1509**
Total Herd	**1565**	**1522**	**1577**
Days per Month	31	31	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		**72**		**72**		**72**
Cwts. Per month	**12.00**	**34,930.80**	**12.00**	**33,971.04**	**12.00**	**32,590.94**
Milk Price (gross)	$ 419,169.60	$ 12.00	$ 407,652.48	$ 12.00	$ 391,091.33	$ 12.00
Milk Hauling	(10,479.24)	(0.30)	(10,191.31)	(0.30)	(9,777.28)	(0.30)
State and Association	(8,732.70)	(0.25)	(8,492.76)	(0.25)	(8,147.74)	(0.25)
Calf Sales (dollars per calf)	570.00	0.02	-	-	19,000.00	0.58
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	17,600.00	0.50	17,200.00	0.51	18,000.00	0.55
Crop income	5,000.00	0.14	5,000.00	0.15	5,000.00	0.15
Misc./Research	6,986.16	0.20	6,794.21	0.20	6,518.19	0.20
Total Income	**$ 430,113.82**	**$ 12.31**	**$ 417,962.62**	**$ 12.30**	**$ 421,684.50**	**$ 12.94**
Feed Expense						
Feed cost per lactating cow per day	$ 189,208.50	$ 5.42	$ 184,009.80	$ 5.42	$ 176,534.28	$ 5.42
Feed cost per dry cow per day	-	-	-	-	4,089.60	0.13
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 189,208.50**	**$ 5.42**	**$ 184,009.80**	**$ 5.42**	**$ 180,623.88**	**$ 5.54**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.31
Avg. monthly salary of other labor/exclusive of research	$ 34,930.80	$ 1.00	$ 33,971.04	$ 1.00	$ 32,590.94	$ 1.00
Labor cost per month	**$ 44,930.80**	**$ 1.29**	**$ 43,971.04**	**$ 1.29**	**$ 42,590.94**	**$ 1.31**
Operating Expenses						
Supplies	$ 20,958.48	$ 0.60	$ 20,382.62	$ 0.60	$ 19,554.57	$ 0.60
Corral cleaning	3,143.77	0.09	3,057.39	0.09	2,933.18	0.09
Repairs & Maintenance	13,972.32	0.40	13,588.42	0.40	13,036.38	0.40
Utilities	9,780.62	0.28	9,511.89	0.28	9,125.46	0.28
Taxes & License	7,335.47	0.21	7,133.92	0.21	6,844.10	0.21
Payroll Taxes (% of gross)	4,942.39	0.14	4,836.81	0.14	4,685.00	0.14
Insurance	5,588.93	0.16	5,435.37	0.16	5,214.55	0.16
Fuel	4,890.31	0.14	4,755.95	0.14	4,562.73	0.14
Legal & Accounting	2,445.16	0.07	2,377.97	0.07	2,281.37	0.07
Employee benefits	1,397.23	0.04	1,358.84	0.04	1,303.64	0.04
Veterinary and breeding	4,890.31	0.14	4,755.95	0.14	4,562.73	0.14
Testing and trimming	2,794.46	0.08	2,717.68	0.08	2,607.28	0.08
Hauling livestock	698.62	0.02	679.42	0.02	651.82	0.02
Miscellaneous	6,986.16	0.20	6,794.21	0.20	6,518.19	0.20
Total Operating Expenses	**$ 89,824.23**	**$ 2.57**	**$ 87,386.44**	**$ 2.57**	**$ 83,881.00**	**$ 2.57**
% of expenses before capital expenditures to income	**75%**		**75%**		**73%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ -	$ -	$ -	$ -	$ 185,000.00	$ 5.68
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ -**	**$ -**	**$ -**	**$ -**	**$ 185,000.00**	**$ 5.68**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.28	$ 9,375.00	$ 0.29
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.28**	**$ 9,375.00**	**$ 0.29**
Total Cash Outflows	**$ 333,338.53**	**$ 9.54**	**$ 324,742.28**	**$ 9.56**	**$ 501,470.82**	**$ 15.39**
Net Cash Flow per month	**$ 96,775.29**	**$ 2.77**	**$ 93,220.33**	**$ 2.74**	**$ (79,786.32)**	**$ (2.45)**
Net Cash Flow over the project	**$ 541,929.28**		**$ 635,149.61**		**$ 555,363.29**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
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	Month 10	Month 11	Month 12
Days per Month	31	30	31
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	0	68	90
Cows Pregnant	120	121	120
Purchased Cows	125	100	85
Beginning Mature Herd	1702	1755	1792
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(47)	(48)	(49)
Ending Mature Herd	**1655**	**1707**	**1743**
Dry Cows entering	90	110	128
Dry Cows Leaving	0	(68)	(90)
Total Dry Cows	**158**	**200**	**239**
Dry Cow %	9.53%	11.72%	13.71%
Milking Herd	**1497**	**1507**	**1504**
Total Herd	**1655**	**1707**	**1743**
Days per Month	31	30	31

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		**72**		**72**		**72**
Cwts. Per month	**12.00**	**33,418.40**	**12.00**	**32,549.47**	**12.00**	**33,570.17**
Milk Price (gross)	$ 401,020.76	$ 12.00	$ 390,593.66	$ 12.00	$ 402,842.07	$ 12.00
Milk Hauling	(10,025.52)	(0.30)	(9,764.84)	(0.30)	(10,071.05)	(0.30)
State and Association	(8,354.60)	(0.25)	(8,137.37)	(0.25)	(8,392.54)	(0.25)
Calf Sales (dollars per calf)	23,750.00	0.71	31,950.40	0.98	33,174.00	0.99
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	18,800.00	0.56	19,200.00	0.59	19,600.00	0.58
Crop income	5,000.00	0.15	5,000.00	0.15	5,000.00	0.15
Misc./Research	6,683.68	0.20	6,509.89	0.20	6,714.03	0.20
Total Income	**$ 436,874.32**	**$ 13.07**	**$ 435,351.75**	**$ 13.38**	**$ 448,866.51**	**$ 13.37**
Feed Expense						
Feed cost per lactating cow per day	$ 181,016.32	$ 5.42	$ 176,309.64	$ 5.42	$ 181,838.44	$ 5.42
Feed cost per dry cow per day	9,781.12	0.29	12,004.80	0.37	14,815.52	0.44
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 190,797.44**	**$ 5.71**	**$ 188,314.44**	**$ 5.79**	**$ 196,653.96**	**$ 5.86**
Labor						
Administrative Fee	$ 10,000.00	$ 0.30	$ 10,000.00	$ 0.31	$ 10,000.00	$ 0.30
Avg. monthly salary of other labor/exclusive of research	$ 33,418.40	$ 1.00	$ 32,549.47	$ 1.00	$ 33,570.17	$ 1.00
Labor cost per month	**$ 43,418.40**	**$ 1.30**	**$ 42,549.47**	**$ 1.31**	**$ 43,570.17**	**$ 1.30**
Operating Expenses						
Supplies	$ 20,051.04	$ 0.60	$ 19,529.68	$ 0.60	$ 20,142.10	$ 0.60
Corral cleaning	3,007.66	0.09	2,929.45	0.09	3,021.32	0.09
Repairs & Maintenance	13,367.36	0.40	13,019.79	0.40	13,428.07	0.40
Utilities	9,357.15	0.28	9,113.85	0.28	9,399.65	0.28
Taxes & License	7,017.86	0.21	6,835.39	0.21	7,049.74	0.21
Payroll Taxes (% of gross)	4,776.02	0.14	4,680.44	0.14	4,792.72	0.14
Insurance	5,346.94	0.16	5,207.92	0.16	5,371.23	0.16
Fuel	4,678.58	0.14	4,556.93	0.14	4,699.82	0.14
Legal & Accounting	2,339.29	0.07	2,278.46	0.07	2,349.91	0.07
Employee benefits	1,336.74	0.04	1,301.98	0.04	1,342.81	0.04
Veterinary and breeding	4,678.58	0.14	4,556.93	0.14	4,699.82	0.14
Testing and trimming	2,673.47	0.08	2,603.96	0.08	2,685.61	0.08
Hauling livestock	668.37	0.02	650.99	0.02	671.40	0.02
Miscellaneous	6,683.68	0.20	6,509.89	0.20	6,714.03	0.20
Total Operating Expenses	**$ 85,982.73**	**$ 2.57**	**$ 83,775.66**	**$ 2.57**	**$ 86,368.24**	**$ 2.57**
% of expenses before capital expenditures to income	**73%**		**72%**		**73%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 231,250.00	$ 6.92	$ 185,000.00	$ 5.68	$ 157,250.00	$ 4.68
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 231,250.00**	**$ 6.92**	**$ 185,000.00**	**$ 5.68**	**$ 157,250.00**	**$ 4.68**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.28	$ 9,375.00	$ 0.29	$ 9,375.00	$ 0.28
Total Debt Service	**$ 9,375.00**	**$ 0.28**	**$ 9,375.00**	**$ 0.29**	**$ 9,375.00**	**$ 0.28**
Total Cash Outflows	**$ 560,823.56**	**$ 16.78**	**$ 509,014.57**	**$ 15.64**	**$ 493,217.37**	**$ 14.69**
Net Cash Flow per month	**$ (123,949.24)**	**$ (3.71)**	**$ (73,662.82)**	**$ (2.26)**	**$ (44,350.85)**	**$ (1.32)**
Net Cash Flow over the project	**$ 431,414.05**		**$ 357,751.23**		**$ 313,400.37**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
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	Month 13	Month 14	Month 15
Days per Month	31	28	31
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	110	128	125
Cows Pregnant	120	121	121
Purchased Cows	65	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	125	122	121
Dry Cows Leaving	(110)	(128)	(125)
Total Dry Cows	**254**	**247**	**242**
Dry Cow %	14.43%	14.05%	13.79%
Milking Herd	**1504**	**1511**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	28	31

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		**74**		**74**		**74**
Cwts. Per month	**12.00**	**34,509.10**	**12.00**	**31,308.75**	**12.00**	**34,766.32**
Milk Price (gross)	$ 414,109.21	$ 12.00	$ 375,704.99	$ 12.00	$ 417,195.87	$ 12.00
Milk Hauling	(10,352.73)	(0.30)	(9,392.62)	(0.30)	(10,429.90)	(0.30)
State and Association	(8,627.28)	(0.25)	(7,827.19)	(0.25)	(8,691.58)	(0.25)
Calf Sales (dollars per calf)	33,341.20	0.99	33,911.20	1.01	33,288.00	0.99
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	20,000.00	0.58	20,000.00	0.64	20,000.00	0.58
Crop income	5,000.00	0.14	5,000.00	0.16	5,000.00	0.14
Misc./Research	6,901.82	0.20	6,261.75	0.20	6,953.26	0.20
Total Income	**$ 460,372.22**	**$ 13.37**	**$ 423,658.12**	**$ 13.46**	**$ 463,315.66**	**$ 13.36**
Feed Expense						
Feed cost per lactating cow per day	$ 181,872.29	$ 5.27	$ 165,005.57	$ 5.27	$ 183,227.92	$ 5.27
Feed cost per dry cow per day	15,728.16	0.46	13,829.76	0.44	15,032.97	0.43
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 197,600.45**	**$ 5.73**	**$ 178,835.33**	**$ 5.71**	**$ 198,260.88**	**$ 5.70**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.32	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 34,509.10	$ 1.00	$ 31,308.75	$ 1.00	$ 34,766.32	$ 1.00
Labor cost per month	**$ 44,509.10**	**$ 1.29**	**$ 41,308.75**	**$ 1.32**	**$ 44,766.32**	**$ 1.29**
Operating Expenses						
Supplies	$ 20,705.46	$ 0.60	$ 18,785.25	$ 0.60	$ 20,859.79	$ 0.60
Corral cleaning	3,105.82	0.09	2,817.79	0.09	3,128.97	0.09
Repairs & Maintenance	13,803.64	0.40	12,523.50	0.40	13,906.53	0.40
Utilities	9,662.55	0.28	8,766.45	0.28	9,734.57	0.28
Taxes & License	7,246.91	0.21	6,574.84	0.21	7,300.93	0.21
Payroll Taxes (% of gross)	4,896.00	0.14	4,543.96	0.15	4,924.30	0.14
Insurance	5,521.46	0.16	5,009.40	0.16	5,562.61	0.16
Fuel	4,831.27	0.14	4,383.22	0.14	4,867.29	0.14
Legal & Accounting	2,415.64	0.07	2,191.61	0.07	2,433.64	0.07
Employee benefits	1,380.36	0.04	1,252.35	0.04	1,390.65	0.04
Veterinary and breeding	4,831.27	0.14	4,383.22	0.14	4,867.29	0.14
Testing and trimming	2,760.73	0.08	2,504.70	0.08	2,781.31	0.08
Hauling livestock	690.18	0.02	626.17	0.02	695.33	0.02
Miscellaneous	6,901.82	0.20	6,261.75	0.20	6,953.26	0.20
Total Operating Expenses	**$ 88,753.12**	**$ 2.57**	**$ 80,624.22**	**$ 2.58**	**$ 89,406.46**	**$ 2.57**
% of expenses before capital expenditures to income	**72%**		**71%**		**72%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 120,250.00	$ 3.48	$ 92,500.00	$ 2.95	$ 92,500.00	$ 2.66
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 120,250.00**	**$ 3.48**	**$ 92,500.00**	**$ 2.95**	**$ 92,500.00**	**$ 2.66**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.30	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.30**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 460,487.66**	**$ 13.34**	**$ 402,643.30**	**$ 12.86**	**$ 434,308.66**	**$ 12.49**
Net Cash Flow per month	**$ (115.44)**	**$ 0.02**	**$ 21,014.82**	**$ 0.60**	**$ 29,006.99**	**$ 0.87**
Net Cash Flow over the project	**$ 313,284.93**		**$ 334,299.76**		**$ 363,306.75**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 16	Month 17	Month 18
Days per Month	30	31	30
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	122	121	120
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	120	121	120
Dry Cows Leaving	(122)	(121)	(120)
Total Dry Cows	**240**	**240**	**241**
Dry Cow %	13.68%	13.67%	13.70%
Milking Herd	**1518**	**1518**	**1517**
Total Herd	**1758**	**1758**	**1758**
Days per Month	30	31	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***74***		***74***		***74***
Cwts. Per month	**12.00**	**33,688.80**	**12.00**	**34,815.29**	**12.00**	**33,680.14**
Milk Price (gross)	$ 404,265.62	$ 12.00	$ 417,783.43	$ 12.00	$ 404,161.62	$ 12.00
Milk Hauling	(10,106.64)	(0.30)	(10,444.59)	(0.30)	(10,104.04)	(0.30)
State and Association	(8,422.20)	(0.25)	(8,703.82)	(0.25)	(8,420.03)	(0.25)
Calf Sales (dollars per calf)	32,634.40	0.97	32,434.37	0.97	32,258.05	0.96
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	20,000.00	0.59	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.15	5,000.00	0.14	5,000.00	0.15
Misc./Research	6,737.76	0.20	6,963.06	0.20	6,736.03	0.20
Total Income	**$ 450,108.94**	**$ 13.36**	**$ 463,032.44**	**$ 13.33**	**$ 449,631.62**	**$ 13.35**
Feed Expense						
Feed cost per lactating cow per day	$ 177,549.09	$ 5.27	$ 183,485.96	$ 5.27	$ 177,503.41	$ 5.27
Feed cost per dry cow per day	14,429.18	0.43	14,900.63	0.43	14,452.61	0.43
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 191,978.28**	**$ 5.70**	**$ 198,386.60**	**$ 5.70**	**$ 191,956.02**	**$ 5.70**
Labor						
Administrative Fee	$ 10,000.00	$ 0.30	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.30
Avg. monthly salary of other labor/exclusive of research	$ 33,688.80	$ 1.00	$ 34,815.29	$ 1.00	$ 33,680.14	$ 1.00
Labor cost per month	**$ 43,688.80**	**$ 1.30**	**$ 44,815.29**	**$ 1.29**	**$ 43,680.14**	**$ 1.30**
Operating Expenses						
Supplies	$ 20,213.28	$ 0.60	$ 20,889.17	$ 0.60	$ 20,208.08	$ 0.60
Corral cleaning	3,031.99	0.09	3,133.38	0.09	3,031.21	0.09
Repairs & Maintenance	13,475.52	0.40	13,926.11	0.40	13,472.05	0.40
Utilities	9,432.86	0.28	9,748.28	0.28	9,430.44	0.28
Taxes & License	7,074.65	0.21	7,311.21	0.21	7,072.83	0.21
Payroll Taxes (% of gross)	4,805.77	0.14	4,929.68	0.14	4,804.81	0.14
Insurance	5,390.21	0.16	5,570.45	0.16	5,388.82	0.16
Fuel	4,716.43	0.14	4,874.14	0.14	4,715.22	0.14
Legal & Accounting	2,358.22	0.07	2,437.07	0.07	2,357.61	0.07
Employee benefits	1,347.55	0.04	1,392.61	0.04	1,347.21	0.04
Veterinary and breeding	4,716.43	0.14	4,874.14	0.14	4,715.22	0.14
Testing and trimming	2,695.10	0.08	2,785.22	0.08	2,694.41	0.08
Hauling livestock	673.78	0.02	696.31	0.02	673.60	0.02
Miscellaneous	6,737.76	0.20	6,963.06	0.20	6,736.03	0.20
Total Operating Expenses	**$ 86,669.56**	**$ 2.57**	**$ 89,530.83**	**$ 2.57**	**$ 86,647.54**	**$ 2.57**
% of expenses before capital expenditures to income	**72%**		**72%**		**72%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.75	$ 92,500.00	$ 2.66	$ 92,500.00	$ 2.75
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.75**	**$ 92,500.00**	**$ 2.66**	**$ 92,500.00**	**$ 2.75**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.28	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.28
Total Debt Service	**$ 9,375.00**	**$ 0.28**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.28**
Total Cash Outflows	**$ 424,211.63**	**$ 12.59**	**$ 434,607.71**	**$ 12.48**	**$ 424,158.70**	**$ 12.59**
Net Cash Flow per month	**$ 25,897.31**	**$ 0.77**	**$ 28,424.74**	**$ 0.85**	**$ 25,472.92**	**$ 0.76**
Net Cash Flow over the project	**$ 389,204.06**		**$ 417,628.80**		**$ 443,101.72**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 19	Month 20	Month 21
Days per Month	31	31	30
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	120	120
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	120	121	121
Dry Cows Leaving	(121)	(120)	(120)
Total Dry Cows	**241**	**241**	**242**
Dry Cow %	13.69%	13.72%	13.77%
Milking Herd	**1517**	**1517**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	31	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***74***		***74***		***74***
Cwts. Per month	**12.00**	**34,807.58**	**12.00**	**34,794.73**	**12.00**	**33,652.41**
Milk Price (gross)	$ 417,690.93	$ 12.00	$ 417,536.78	$ 12.00	$ 403,828.88	$ 12.00
Milk Hauling	(10,442.27)	(0.30)	(10,438.42)	(0.30)	(10,095.72)	(0.30)
State and Association	(8,701.89)	(0.25)	(8,698.68)	(0.25)	(8,413.10)	(0.25)
Calf Sales (dollars per calf)	32,405.18	0.97	32,361.41	0.96	32,365.66	0.96
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.14	5,000.00	0.14	5,000.00	0.15
Misc./Research	6,961.52	0.20	6,958.95	0.20	6,730.48	0.20
Total Income	**$ 462,913.46**	**$ 13.33**	**$ 462,720.03**	**$ 13.33**	**$ 449,416.20**	**$ 13.36**
Feed Expense						
Feed cost per lactating cow per day	$ 183,445.34	$ 5.27	$ 183,377.64	$ 5.27	$ 177,357.28	$ 5.27
Feed cost per dry cow per day	14,921.47	0.43	14,956.19	0.43	14,527.55	0.43
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 198,366.81**	**$ 5.70**	**$ 198,333.82**	**$ 5.70**	**$ 191,884.83**	**$ 5.70**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.30
Avg. monthly salary of other labor/exclusive of research	$ 34,807.58	$ 1.00	$ 34,794.73	$ 1.00	$ 33,652.41	$ 1.00
Labor cost per month	**$ 44,807.58**	**$ 1.29**	**$ 44,794.73**	**$ 1.29**	**$ 43,652.41**	**$ 1.30**
Operating Expenses						
Supplies	$ 20,884.55	$ 0.60	$ 20,876.84	$ 0.60	$ 20,191.44	$ 0.60
Corral cleaning	3,132.68	0.09	3,131.53	0.09	3,028.72	0.09
Repairs & Maintenance	13,923.03	0.40	13,917.89	0.40	13,460.96	0.40
Utilities	9,746.12	0.28	9,742.52	0.28	9,422.67	0.28
Taxes & License	7,309.59	0.21	7,306.89	0.21	7,067.01	0.21
Payroll Taxes (% of gross)	4,928.83	0.14	4,927.42	0.14	4,801.76	0.14
Insurance	5,569.21	0.16	5,567.16	0.16	5,384.39	0.16
Fuel	4,873.06	0.14	4,871.26	0.14	4,711.34	0.14
Legal & Accounting	2,436.53	0.07	2,435.63	0.07	2,355.67	0.07
Employee benefits	1,392.30	0.04	1,391.79	0.04	1,346.10	0.04
Veterinary and breeding	4,873.06	0.14	4,871.26	0.14	4,711.34	0.14
Testing and trimming	2,784.61	0.08	2,783.58	0.08	2,692.19	0.08
Hauling livestock	696.15	0.02	695.89	0.02	673.05	0.02
Miscellaneous	6,961.52	0.20	6,958.95	0.20	6,730.48	0.20
Total Operating Expenses	**$ 89,511.25**	**$ 2.57**	**$ 89,478.62**	**$ 2.57**	**$ 86,577.11**	**$ 2.57**
% of expenses before capital expenditures to income	**72%**		**72%**		**72%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.66	$ 92,500.00	$ 2.66	$ 92,500.00	$ 2.75
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.66**	**$ 92,500.00**	**$ 2.66**	**$ 92,500.00**	**$ 2.75**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.28
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.28**
Total Cash Outflows	**$ 434,560.63**	**$ 12.48**	**$ 434,482.17**	**$ 12.49**	**$ 423,989.35**	**$ 12.60**
Net Cash Flow per month	**$ 28,352.83**	**$ 0.85**	**$ 28,237.86**	**$ 0.85**	**$ 25,426.85**	**$ 0.76**
Net Cash Flow over the project	**$ 471,454.55**		**$ 499,692.40**		**$ 525,119.26**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 22	Month 23	Month 24
Days per Month	31	30	31
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	0
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**0**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**243**	**243**	**243**
Dry Cow %	13.80%	13.81%	13.81%
Milking Herd	**1515**	**1515**	**1515**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	30	31

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		**74**		**74**		**74**
Cwts. Per month	**12.00**	**34,762.27**	**12.00**	**33,637.12**	**12.00**	**34,759.07**
Milk Price (gross)	$ 417,147.28	$ 12.00	$ 403,645.43	$ 12.00	$ 417,108.87	$ 12.00
Milk Hauling	(10,428.68)	(0.30)	(10,091.14)	(0.30)	(10,427.72)	(0.30)
State and Association	(8,690.57)	(0.25)	(8,409.28)	(0.25)	(8,689.77)	(0.25)
Calf Sales (dollars per calf)	32,467.81	0.97	32,536.10	0.97	32,566.21	0.97
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	20,000.00	0.58	20,000.00	0.59	20,000.00	0.58
Crop income	5,000.00	0.14	5,000.00	0.15	5,000.00	0.14
Misc./Research	6,952.45	0.20	6,727.42	0.20	6,951.81	0.20
Total Income	**$ 462,448.29**	**$ 13.34**	**$ 449,408.53**	**$ 13.36**	**$ 462,509.40**	**$ 13.34**
Feed Expense						
Feed cost per lactating cow per day	$ 183,206.58	$ 5.27	$ 177,276.71	$ 5.27	$ 183,189.71	$ 5.27
Feed cost per dry cow per day	15,043.91	0.43	14,568.87	0.43	15,052.56	0.43
Feed cost per heifer per day	-	-	-	-	-	-
Total Feed Expense	**$ 198,250.49**	**$ 5.70**	**$ 191,845.58**	**$ 5.70**	**$ 198,242.27**	**$ 5.70**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.30	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 34,762.27	$ 1.00	$ 33,637.12	$ 1.00	$ 34,759.07	$ 1.00
Labor cost per month	**$ 44,762.27**	**$ 1.29**	**$ 43,637.12**	**$ 1.30**	**$ 44,759.07**	**$ 1.29**
Operating Expenses						
Supplies	$ 20,857.36	$ 0.60	$ 20,182.27	$ 0.60	$ 20,855.44	$ 0.60
Corral cleaning	3,128.60	0.09	3,027.34	0.09	3,128.32	0.09
Repairs & Maintenance	13,904.91	0.40	13,454.85	0.40	13,903.63	0.40
Utilities	9,733.44	0.28	9,418.39	0.28	9,732.54	0.28
Taxes & License	7,300.08	0.21	7,063.79	0.21	7,299.41	0.21
Payroll Taxes (% of gross)	4,923.85	0.14	4,800.08	0.14	4,923.50	0.14
Insurance	5,561.96	0.16	5,381.94	0.16	5,561.45	0.16
Fuel	4,866.72	0.14	4,709.20	0.14	4,866.27	0.14
Legal & Accounting	2,433.36	0.07	2,354.60	0.07	2,433.14	0.07
Employee benefits	1,390.49	0.04	1,345.48	0.04	1,390.36	0.04
Veterinary and breeding	4,866.72	0.14	4,709.20	0.14	4,866.27	0.14
Testing and trimming	2,780.98	0.08	2,690.97	0.08	2,780.73	0.08
Hauling livestock	695.25	0.02	672.74	0.02	695.18	0.02
Miscellaneous	6,952.45	0.20	6,727.42	0.20	6,951.81	0.20
Total Operating Expenses	**$ 89,396.17**	**$ 2.57**	**$ 86,538.28**	**$ 2.57**	**$ 89,388.04**	**$ 2.57**
% of expenses before capital expenditures to income	**72%**		**72%**		**72%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.66	$ 92,500.00	$ 2.75	$ 92,500.00	$ 2.66
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.66**	**$ 92,500.00**	**$ 2.75**	**$ 92,500.00**	**$ 2.66**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.28	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.28**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 434,283.93**	**$ 12.49**	**$ 423,895.98**	**$ 12.60**	**$ 434,264.38**	**$ 12.49**
Net Cash Flow per month	**$ 28,164.36**	**$ 0.84**	**$ 25,512.56**	**$ 0.76**	**$ 28,245.02**	**$ 0.85**
Net Cash Flow over the project	**$ 553,283.62**		**$ 578,796.17**		**$ 607,041.19**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 25	Month 26	Month 27
Days per Month	31	28	31
Beginning Heifers	0	0	0
Heifers from existing herd	0	0	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**0**	**0**	**81**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**243**	**243**	**243**
Dry Cow %	13.81%	13.81%	13.80%
Milking Herd	**1515**	**1515**	**1515**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	28	31

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**35,229.41**	**12.00**	**31,820.71**	**12.00**	**35,232.78**
Milk Price (gross)	$ 422,752.98	$ 12.00	$ 381,848.50	$ 12.00	$ 422,793.36	$ 12.00
Milk Hauling	(10,568.82)	(0.30)	(9,546.21)	(0.30)	(10,569.83)	(0.30)
State and Association	(8,807.35)	(0.25)	(7,955.18)	(0.25)	(8,808.19)	(0.25)
Calf Sales (dollars per calf)	32,568.54	0.97	32,560.27	0.97	16,281.72	0.49
Heifer calf cull sales (dollars per calf)	-	-	-	-	-	-
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.63	20,000.00	0.57
Crop income	5,000.00	0.14	5,000.00	0.16	5,000.00	0.14
Misc./Research	7,045.88	0.20	6,364.14	0.20	7,046.56	0.20
Total Income	**$ 467,991.22**	**$ 13.33**	**$ 428,271.52**	**$ 13.41**	**$ 451,743.60**	**$ 12.84**
Feed Expense						
Feed cost per lactating cow per day	$ 183,192.96	$ 5.20	$ 165,467.68	$ 5.20	$ 183,210.45	$ 5.20
Feed cost per dry cow per day	15,050.89	0.43	13,592.78	0.43	15,041.92	0.43
Feed cost per heifer per day	-	-	-	-	3,515.40	0.10
Total Feed Expense	**$ 198,243.85**	**$ 5.63**	**$ 179,060.46**	**$ 5.63**	**$ 201,767.77**	**$ 5.73**
Labor						
Administrative Fee	$ 10,000.00	$ 0.28	$ 10,000.00	$ 0.31	$ 10,000.00	$ 0.28
Avg. monthly salary of other labor/exclusive of research	$ 35,229.41	$ 1.00	$ 31,820.71	$ 1.00	$ 35,232.78	$ 1.00
Labor cost per month	**$ 45,229.41**	**$ 1.28**	**$ 41,820.71**	**$ 1.31**	**$ 45,232.78**	**$ 1.28**
Operating Expenses						
Supplies	$ 21,137.65	$ 0.60	$ 19,092.42	$ 0.60	$ 21,139.67	$ 0.60
Corral cleaning	3,170.65	0.09	2,863.86	0.09	3,170.95	0.09
Repairs & Maintenance	14,091.77	0.40	12,728.28	0.40	14,093.11	0.40
Utilities	9,864.24	0.28	8,909.80	0.28	9,865.18	0.28
Taxes & License	7,398.18	0.21	6,682.35	0.21	7,398.88	0.21
Payroll Taxes (% of gross)	4,975.24	0.14	4,600.28	0.14	4,975.61	0.14
Insurance	5,636.71	0.16	5,091.31	0.16	5,637.24	0.16
Fuel	4,932.12	0.14	4,454.90	0.14	4,932.59	0.14
Legal & Accounting	2,466.06	0.07	2,227.45	0.07	2,466.29	0.07
Employee benefits	1,409.18	0.04	1,272.83	0.04	1,409.31	0.04
Veterinary and breeding	4,932.12	0.14	4,454.90	0.14	4,932.59	0.14
Testing and trimming	2,818.35	0.08	2,545.66	0.08	2,818.62	0.08
Hauling livestock	704.59	0.02	636.41	0.02	704.66	0.02
Miscellaneous	7,045.88	0.20	6,364.14	0.20	7,046.56	0.20
Total Operating Expenses	**$ 90,582.71**	**$ 2.57**	**$ 81,924.60**	**$ 2.57**	**$ 90,591.26**	**$ 2.57**
% of expenses before capital expenditures to income	**71%**		**71%**		**75%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.63	$ 92,500.00	$ 2.91	$ 92,500.00	$ 2.63
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.63**	**$ 92,500.00**	**$ 2.91**	**$ 92,500.00**	**$ 2.63**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.29	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.29**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 435,930.98**	**$ 12.37**	**$ 404,680.77**	**$ 12.72**	**$ 439,466.81**	**$ 12.47**
Net Cash Flow per month	**$ 32,060.24**	**$ 0.96**	**$ 23,590.75**	**$ 0.69**	**$ 12,276.78**	**$ 0.37**
Net Cash Flow over the project	**$ 639,101.44**		**$ 662,692.19**		**$ 674,968.98**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 28		Month 29		Month 30	
Days per Month	30		31		30	
Beginning Heifers	81		161		240	
Heifers from existing herd	81		81		81	
Cull Heifers % (including dead)	0.84%		0.84%		0.84%	
Heifers Entering Herd as Springers	0		0		0	
Ending Heifers	**161**		**240**		**319**	
Springers from Heifer Herd	0		0		0	
Less Cull Springers	0		0		0	
Fresh Cows from Existing Herd	121		121		121	
Cows Pregnant	121		121		121	
Purchased Cows	50		50		50	
Beginning Mature Herd	1808		1808		1808	
Cull % (including dead) (Monthly)	2.75%		2.75%		2.75%	
Cull Cows	(50)		(50)		(50)	
Ending Mature Herd	**1758**		**1758**		**1758**	
Dry Cows entering	121		121		121	
Dry Cows Leaving	(121)		(121)		(121)	
Total Dry Cows	**242**		**242**		**242**	
Dry Cow %	13.79%		13.79%		13.79%	
Milking Herd	**1516**		**1516**		**1516**	
Total Herd	**1758**		**1758**		**1758**	
Days per Month	30		31		30	
Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**34,098.79**	**12.00**	**35,236.69**	**12.00**	**34,100.28**
Milk Price (gross)	$ 409,185.42	$ 12.00	$ 422,840.31	$ 12.00	$ 409,203.31	$ 12.00
Milk Hauling	(10,229.64)	(0.30)	(10,571.01)	(0.30)	(10,230.08)	(0.30)
State and Association	(8,524.70)	(0.25)	(8,809.17)	(0.25)	(8,525.07)	(0.25)
Calf Sales (dollars per calf)	16,277.46	0.48	16,270.64	0.46	16,266.71	0.48
Heifer calf cull sales (dollars per calf)	200.00	0.01	200.00	0.01	400.00	0.01
Cull Cows ($/head)	20,000.00	0.59	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.15	5,000.00	0.14	5,000.00	0.15
Misc./Research	6,819.76	0.20	7,047.34	0.20	6,820.06	0.20
Total Income	**$ 438,728.31**	**$ 12.87**	**$ 451,978.11**	**$ 12.83**	**$ 438,934.92**	**$ 12.87**
Feed Expense						
Feed cost per lactating cow per day	$ 177,313.68	$ 5.20	$ 183,230.80	$ 5.20	$ 177,321.43	$ 5.20
Feed cost per dry cow per day	14,549.91	0.43	15,031.49	0.43	14,545.93	0.43
Feed cost per heifer per day	6,762.00	0.20	10,416.00	0.30	13,398.00	0.39
Total Feed Expense	**$ 198,625.59**	**$ 5.83**	**$ 208,678.29**	**$ 5.92**	**$ 205,265.37**	**$ 6.02**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.28	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 34,098.79	$ 1.00	$ 35,236.69	$ 1.00	$ 34,100.28	$ 1.00
Labor cost per month	**$ 44,098.79**	**$ 1.29**	**$ 45,236.69**	**$ 1.28**	**$ 44,100.28**	**$ 1.29**
Operating Expenses						
Supplies	$ 20,459.27	$ 0.60	$ 21,142.02	$ 0.60	$ 20,460.17	$ 0.60
Corral cleaning	3,068.89	0.09	3,171.30	0.09	3,069.02	0.09
Repairs & Maintenance	13,639.51	0.40	14,094.68	0.40	13,640.11	0.40
Utilities	9,547.66	0.28	9,866.27	0.28	9,548.08	0.28
Taxes & License	7,160.74	0.21	7,399.71	0.21	7,161.06	0.21
Payroll Taxes (% of gross)	4,850.87	0.14	4,976.04	0.14	4,851.03	0.14
Insurance	5,455.81	0.16	5,637.87	0.16	5,456.04	0.16
Fuel	4,773.83	0.14	4,933.14	0.14	4,774.04	0.14
Legal & Accounting	2,386.91	0.07	2,466.57	0.07	2,387.02	0.07
Employee benefits	1,363.95	0.04	1,409.47	0.04	1,364.01	0.04
Veterinary and breeding	4,773.83	0.14	4,933.14	0.14	4,774.04	0.14
Testing and trimming	2,727.90	0.08	2,818.94	0.08	2,728.02	0.08
Hauling livestock	681.98	0.02	704.73	0.02	682.01	0.02
Miscellaneous	6,819.76	0.20	7,047.34	0.20	6,820.06	0.20
Total Operating Expenses	**$ 87,710.91**	**$ 2.57**	**$ 90,601.20**	**$ 2.57**	**$ 87,714.70**	**$ 2.57**
% of expenses before capital expenditures to income	**75%**		**76%**		**77%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.63	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.63**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 432,310.29**	**$ 12.68**	**$ 446,391.18**	**$ 12.67**	**$ 438,955.34**	**$ 12.87**
Net Cash Flow per month	**$ 6,418.02**	**$ 0.19**	**$ 5,586.93**	**$ 0.15**	**$ (20.42)**	**$ (0.00)**
Net Cash Flow over the project	**$ 681,387.00**		**$ 686,973.93**		**$ 686,953.51**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 31	Month 32	Month 33
Days per Month	31	31	30
Beginning Heifers	319	397	474
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**397**	**474**	**551**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	31	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**35,236.84**	**12.00**	**35,236.74**	**12.00**	**34,099.81**
Milk Price (gross)	$ 422,842.12	$ 12.00	$ 422,840.90	$ 12.00	$ 409,197.74	$ 12.00
Milk Hauling	(10,571.05)	(0.30)	(10,571.02)	(0.30)	(10,229.94)	(0.30)
State and Association	(8,809.21)	(0.25)	(8,809.19)	(0.25)	(8,524.95)	(0.25)
Calf Sales (dollars per calf)	16,265.41	0.46	16,265.65	0.46	16,265.85	0.48
Heifer calf cull sales (dollars per calf)	600.00	0.02	600.00	0.02	800.00	0.02
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.14	5,000.00	0.14	5,000.00	0.15
Misc./Research	7,047.37	0.20	7,047.35	0.20	6,819.96	0.20
Total Income	**$ 452,374.64**	**$ 12.84**	**$ 452,373.68**	**$ 12.84**	**$ 439,328.66**	**$ 12.88**
Feed Expense						
Feed cost per lactating cow per day	$ 183,231.59	$ 5.20	$ 183,231.05	$ 5.20	$ 177,319.02	$ 5.20
Feed cost per dry cow per day	15,031.08	0.43	15,031.36	0.43	14,547.17	0.43
Feed cost per heifer per day	17,229.80	0.49	20,571.60	0.58	23,142.00	0.68
Total Feed Expense	**$ 215,492.47**	**$ 6.12**	**$ 218,834.01**	**$ 6.21**	**$ 215,008.19**	**$ 6.31**
Labor						
Administrative Fee	$ 10,000.00	$ 0.28	$ 10,000.00	$ 0.28	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 35,236.84	$ 1.00	$ 35,236.74	$ 1.00	$ 34,099.81	$ 1.00
Labor cost per month	**$ 45,236.84**	**$ 1.28**	**$ 45,236.74**	**$ 1.28**	**$ 44,099.81**	**$ 1.29**
Operating Expenses						
Supplies	$ 21,142.11	$ 0.60	$ 21,142.04	$ 0.60	$ 20,459.89	$ 0.60
Corral cleaning	3,171.32	0.09	3,171.31	0.09	3,068.98	0.09
Repairs & Maintenance	14,094.74	0.40	14,094.70	0.40	13,639.92	0.40
Utilities	9,866.32	0.28	9,866.29	0.28	9,547.95	0.28
Taxes & License	7,399.74	0.21	7,399.72	0.21	7,160.96	0.21
Payroll Taxes (% of gross)	4,976.05	0.14	4,976.04	0.14	4,850.98	0.14
Insurance	5,637.89	0.16	5,637.88	0.16	5,455.97	0.16
Fuel	4,933.16	0.14	4,933.14	0.14	4,773.97	0.14
Legal & Accounting	2,466.58	0.07	2,466.57	0.07	2,386.99	0.07
Employee benefits	1,409.47	0.04	1,409.47	0.04	1,363.99	0.04
Veterinary and breeding	4,933.16	0.14	4,933.14	0.14	4,773.97	0.14
Testing and trimming	2,818.95	0.08	2,818.94	0.08	2,727.98	0.08
Hauling livestock	704.74	0.02	704.73	0.02	682.00	0.02
Miscellaneous	7,047.37	0.20	7,047.35	0.20	6,819.96	0.20
Total Operating Expenses	**$ 90,601.58**	**$ 2.57**	**$ 90,601.32**	**$ 2.57**	**$ 87,713.52**	**$ 2.57**
% of expenses before capital expenditures to income	**78%**		**78%**		**79%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.63	$ 92,500.00	$ 2.63	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.63**	**$ 92,500.00**	**$ 2.63**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 453,205.90**	**$ 12.86**	**$ 456,547.08**	**$ 12.96**	**$ 448,696.52**	**$ 13.16**
Net Cash Flow per month	**$ (831.26)**	**$ (0.02)**	**$ (4,173.39)**	**$ (0.12)**	**$ (9,367.87)**	**$ (0.27)**
Net Cash Flow over the project	**$ 686,122.25**		**$ 681,948.86**		**$ 672,580.99**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 34	Month 35	Month 36
Days per Month	31	30	31
Beginning Heifers	551	627	702
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**627**	**702**	**777**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	31	30	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**35,236.04**	**12.00**	**34,099.10**	**12.00**	**35,235.61**
Milk Price (gross)	$ 422,832.54	$ 12.00	$ 409,189.14	$ 12.00	$ 422,827.30	$ 12.40
Milk Hauling	(10,570.81)	(0.30)	(10,229.73)	(0.30)	(10,570.68)	(0.31)
State and Association	(8,809.01)	(0.25)	(8,524.77)	(0.25)	(8,808.90)	(0.26)
Calf Sales (dollars per calf)	16,266.07	0.46	16,266.95	0.48	16,267.81	0.48
Heifer calf cull sales (dollars per calf)	1,000.00	0.03	1,000.00	0.03	1,200.00	0.04
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.59	20,000.00	0.57
Crop income	5,000.00	0.14	5,000.00	0.15	5,000.00	0.14
Misc./Research	7,047.21	0.20	6,819.82	0.20	7,047.12	0.21
Total Income	**$ 452,765.99**	**$ 12.85**	**$ 439,521.41**	**$ 12.89**	**$ 452,962.65**	**$ 13.26**
Feed Expense						
Feed cost per lactating cow per day	$ 183,227.43	$ 5.20	$ 177,315.30	$ 5.20	$ 183,225.16	$ 5.37
Feed cost per dry cow per day	15,033.21	0.43	14,549.08	0.43	15,034.38	0.45
Feed cost per heifer per day	27,211.80	0.77	29,484.00	0.88	33,721.80	1.00
Total Feed Expense	**$ 225,472.45**	**$ 6.40**	**$ 221,348.37**	**$ 6.51**	**$ 231,981.34**	**$ 6.82**
Labor						
Administrative Fee	$ 10,000.00	$ 0.28	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 35,236.04	$ 1.00	$ 34,099.10	$ 1.00	$ 35,235.61	$ 1.03
Labor cost per month	**$ 45,236.04**	**$ 1.28**	**$ 44,099.10**	**$ 1.29**	**$ 45,235.61**	**$ 1.33**
Operating Expenses						
Supplies	$ 21,141.63	$ 0.60	$ 20,459.46	$ 0.60	$ 21,141.37	$ 0.62
Corral cleaning	3,171.24	0.09	3,068.92	0.09	3,171.20	0.09
Repairs & Maintenance	14,094.42	0.40	13,639.64	0.40	14,094.24	0.41
Utilities	9,866.09	0.28	9,547.75	0.28	9,865.97	0.29
Taxes & License	7,399.57	0.21	7,160.81	0.21	7,399.48	0.22
Payroll Taxes (% of gross)	4,975.96	0.14	4,850.90	0.14	4,975.92	0.15
Insurance	5,637.77	0.16	5,455.86	0.16	5,637.70	0.17
Fuel	4,933.05	0.14	4,773.87	0.14	4,932.99	0.14
Legal & Accounting	2,466.52	0.07	2,386.94	0.07	2,466.49	0.07
Employee benefits	1,409.44	0.04	1,363.96	0.04	1,409.42	0.04
Veterinary and breeding	4,933.05	0.14	4,773.87	0.14	4,932.99	0.14
Testing and trimming	2,818.88	0.08	2,727.93	0.08	2,818.85	0.08
Hauling livestock	704.72	0.02	681.98	0.02	704.71	0.02
Miscellaneous	7,047.21	0.20	6,819.82	0.20	7,047.12	0.21
Total Operating Expenses	**$ 90,599.55**	**$ 2.57**	**$ 87,711.70**	**$ 2.57**	**$ 90,598.45**	**$ 2.65**
% of expenses before capital expenditures to income	**80%**		**80%**		**81%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.63	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.63**	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 463,183.04**	**$ 13.15**	**$ 455,034.17**	**$ 13.36**	**$ 469,690.40**	**$ 13.79**
Net Cash Flow per month	**$ (10,417.06)**	**$ (0.29)**	**$ (15,512.76)**	**$ (0.47)**	**$ (16,727.74)**	**$ (0.53)**
Net Cash Flow over the project	**$ 662,163.93**		**$ 646,651.17**		**$ 629,923.43**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 37	Month 38	Month 39
Days per Month	31	28	31
Beginning Heifers	777	851	925
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**851**	**925**	**998**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	30	30	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		*75*		*75*		*75*
Cwts. Per month	**12.00**	**35,235.60**	**12.00**	**31,825.72**	**12.00**	**35,235.64**
Milk Price (gross)	$ 422,827.16	$ 12.40	$ 381,908.58	$ 11.20	$ 422,827.72	$ 12.40
Milk Hauling	(10,570.68)	(0.31)	(9,547.71)	(0.28)	(10,570.69)	(0.31)
State and Association	(8,808.90)	(0.26)	(7,956.43)	(0.23)	(8,808.91)	(0.26)
Calf Sales (dollars per calf)	16,268.23	0.48	16,268.32	0.48	16,268.28	0.48
Heifer calf cull sales (dollars per calf)	1,400.00	0.04	1,400.00	0.04	1,600.00	0.05
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.63	20,000.00	0.57
Crop income	5,000.00	0.14	5,000.00	0.16	5,000.00	0.14
Misc./Research	7,047.12	0.21	6,365.14	0.19	7,047.13	0.21
Total Income	**$ 453,162.93**	**$ 13.27**	**$ 413,437.90**	**$ 12.18**	**$ 453,363.52**	**$ 13.27**
Feed Expense						
Feed cost per lactating cow per day	$ 183,225.10	$ 5.37	$ 165,493.72	$ 4.85	$ 183,225.34	$ 5.37
Feed cost per dry cow per day	15,034.41	0.45	13,579.43	0.40	15,034.29	0.45
Feed cost per heifer per day	36,933.40	1.10	36,260.00	1.08	43,313.20	1.29
Total Feed Expense	**$ 235,192.91**	**$ 6.92**	**$ 215,333.15**	**$ 6.33**	**$ 241,572.83**	**$ 7.11**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 35,235.60	$ 1.03	$ 31,825.72	$ 0.93	$ 35,235.64	$ 1.03
Labor cost per month	**$ 45,235.60**	**$ 1.33**	**$ 41,825.72**	**$ 1.23**	**$ 45,235.64**	**$ 1.33**
Operating Expenses						
Supplies	$ 21,141.36	$ 0.62	$ 19,095.43	$ 0.56	$ 21,141.39	$ 0.62
Corral cleaning	3,171.20	0.09	2,864.31	0.09	3,171.21	0.09
Repairs & Maintenance	14,094.24	0.41	12,730.29	0.37	14,094.26	0.41
Utilities	9,865.97	0.29	8,911.20	0.26	9,865.98	0.29
Taxes & License	7,399.48	0.22	6,683.40	0.20	7,399.49	0.22
Payroll Taxes (% of gross)	4,975.92	0.15	4,600.83	0.13	4,975.92	0.15
Insurance	5,637.70	0.17	5,092.11	0.15	5,637.70	0.17
Fuel	4,932.98	0.14	4,455.60	0.13	4,932.99	0.14
Legal & Accounting	2,466.49	0.07	2,227.80	0.07	2,466.50	0.07
Employee benefits	1,409.42	0.04	1,273.03	0.04	1,409.43	0.04
Veterinary and breeding	4,932.98	0.14	4,455.60	0.13	4,932.99	0.14
Testing and trimming	2,818.85	0.08	2,546.06	0.08	2,818.85	0.08
Hauling livestock	704.71	0.02	636.51	0.02	704.71	0.02
Miscellaneous	7,047.12	0.21	6,365.14	0.19	7,047.13	0.21
Total Operating Expenses	**$ 90,598.41**	**$ 2.65**	**$ 81,937.32**	**$ 2.42**	**$ 90,598.53**	**$ 2.65**
% of expenses before capital expenditures to income	**82%**		**82%**		**83%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 472,901.92**	**$ 13.88**	**$ 440,971.18**	**$ 12.97**	**$ 479,282.00**	**$ 14.07**
Net Cash Flow per month	**$ (19,738.99)**	**$ (0.62)**	**$ (27,533.28)**	**$ (0.79)**	**$ (25,918.48)**	**$ (0.80)**
Net Cash Flow over the project	**$ 610,184.43**		**$ 582,651.15**		**$ 556,732.67**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 40	Month 41	Month 42
Days per Month	30	31	30
Beginning Heifers	998	1070	1142
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**1,070**	**1,142**	**1,213**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	30	30	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**34,099.06**	**12.00**	**35,235.76**	**12.00**	**34,099.15**
Milk Price (gross)	$ 409,188.76	$ 12.00	$ 422,829.09	$ 12.40	$ 409,189.85	$ 12.00
Milk Hauling	(10,229.72)	(0.30)	(10,570.73)	(0.31)	(10,229.75)	(0.30)
State and Association	(8,524.77)	(0.25)	(8,808.94)	(0.26)	(8,524.79)	(0.25)
Calf Sales (dollars per calf)	16,268.25	0.48	16,268.16	0.48	16,268.02	0.48
Heifer calf cull sales (dollars per calf)	1,600.00	0.05	1,800.00	0.05	2,000.00	0.06
Cull Cows ($/head)	20,000.00	0.59	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.15	5,000.00	0.14	5,000.00	0.15
Misc./Research	6,819.81	0.20	7,047.15	0.21	6,819.83	0.20
Total Income	**$ 440,122.33**	**$ 12.91**	**$ 453,564.74**	**$ 13.28**	**$ 440,523.17**	**$ 12.92**
Feed Expense						
Feed cost per lactating cow per day	$ 177,315.13	$ 5.20	$ 183,225.94	$ 5.37	$ 177,315.60	$ 5.20
Feed cost per dry cow per day	14,549.16	0.43	15,033.98	0.45	14,548.92	0.43
Feed cost per heifer per day	44,940.00	1.34	49,562.80	1.47	50,946.00	1.51
Total Feed Expense	**$ 236,804.29**	**$ 6.97**	**$ 247,822.72**	**$ 7.29**	**$ 242,810.52**	**$ 7.15**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 34,099.06	$ 1.00	$ 35,235.76	$ 1.03	$ 34,099.15	$ 1.00
Labor cost per month	**$ 44,099.06**	**$ 1.29**	**$ 45,235.76**	**$ 1.33**	**$ 44,099.15**	**$ 1.29**
Operating Expenses						
Supplies	$ 20,459.44	$ 0.60	$ 21,141.45	$ 0.62	$ 20,459.49	$ 0.60
Corral cleaning	3,068.92	0.09	3,171.22	0.09	3,068.92	0.09
Repairs & Maintenance	13,639.63	0.40	14,094.30	0.41	13,639.66	0.40
Utilities	9,547.74	0.28	9,866.01	0.29	9,547.76	0.28
Taxes & License	7,160.80	0.21	7,399.51	0.22	7,160.82	0.21
Payroll Taxes (% of gross)	4,850.90	0.14	4,975.93	0.15	4,850.91	0.14
Insurance	5,455.85	0.16	5,637.72	0.17	5,455.86	0.16
Fuel	4,773.87	0.14	4,933.01	0.14	4,773.88	0.14
Legal & Accounting	2,386.93	0.07	2,466.50	0.07	2,386.94	0.07
Employee benefits	1,363.96	0.04	1,409.43	0.04	1,363.97	0.04
Veterinary and breeding	4,773.87	0.14	4,933.01	0.14	4,773.88	0.14
Testing and trimming	2,727.93	0.08	2,818.86	0.08	2,727.93	0.08
Hauling livestock	681.98	0.02	704.72	0.02	681.98	0.02
Miscellaneous	6,819.81	0.20	7,047.15	0.21	6,819.83	0.20
Total Operating Expenses	**$ 87,711.62**	**$ 2.57**	**$ 90,598.83**	**$ 2.65**	**$ 87,711.85**	**$ 2.57**
% of expenses before capital expenditures to income	**84%**		**85%**		**85%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 470,489.98**	**$ 13.82**	**$ 485,532.30**	**$ 14.26**	**$ 476,496.53**	**$ 14.00**
Net Cash Flow per month	**$ (30,367.64)**	**$ (0.91)**	**$ (31,967.56)**	**$ (0.98)**	**$ (35,973.36)**	**$ (1.08)**
Net Cash Flow over the project	**$ 526,365.02**		**$ 494,397.46**		**$ 458,424.10**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 43	Month 44	Month 45
Days per Month	31	31	30
Beginning Heifers	1213	1283	1353
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**1,283**	**1,353**	**1,422**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	30	30	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**35,235.80**	**12.00**	**35,235.80**	**12.00**	**34,099.16**
Milk Price (gross)	$ 422,829.64	$ 12.40	$ 422,829.64	$ 12.40	$ 409,189.93	$ 12.00
Milk Hauling	(10,570.74)	(0.31)	(10,570.74)	(0.31)	(10,229.75)	(0.30)
State and Association	(8,808.95)	(0.26)	(8,808.95)	(0.26)	(8,524.79)	(0.25)
Calf Sales (dollars per calf)	16,267.92	0.48	16,267.88	0.48	16,267.87	0.48
Heifer calf cull sales (dollars per calf)	2,000.00	0.06	2,200.00	0.07	2,200.00	0.07
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.57	20,000.00	0.59
Crop income	5,000.00	0.14	5,000.00	0.14	5,000.00	0.15
Misc./Research	7,047.16	0.21	7,047.16	0.21	6,819.83	0.20
Total Income	**$ 453,765.03**	**$ 13.28**	**$ 453,964.98**	**$ 13.29**	**$ 440,723.10**	**$ 12.93**
Feed Expense						
Feed cost per lactating cow per day	$ 183,226.18	$ 5.37	$ 183,226.18	$ 5.37	$ 177,315.64	$ 5.20
Feed cost per dry cow per day	15,033.86	0.45	15,033.86	0.45	14,548.90	0.43
Feed cost per heifer per day	55,682.20	1.66	58,720.20	1.75	59,724.00	1.78
Total Feed Expense	**$ 253,942.24**	**$ 7.48**	**$ 256,980.23**	**$ 7.57**	**$ 251,588.54**	**$ 7.41**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 35,235.80	$ 1.03	$ 35,235.80	$ 1.03	$ 34,099.16	$ 1.00
Labor cost per month	**$ 45,235.80**	**$ 1.33**	**$ 45,235.80**	**$ 1.33**	**$ 44,099.16**	**$ 1.29**
Operating Expenses						
Supplies	$ 21,141.48	$ 0.62	$ 21,141.48	$ 0.62	$ 20,459.50	$ 0.60
Corral cleaning	3,171.22	0.09	3,171.22	0.09	3,068.92	0.09
Repairs & Maintenance	14,094.32	0.41	14,094.32	0.41	13,639.66	0.40
Utilities	9,866.03	0.29	9,866.02	0.29	9,547.77	0.28
Taxes & License	7,399.52	0.22	7,399.52	0.22	7,160.82	0.21
Payroll Taxes (% of gross)	4,975.94	0.15	4,975.94	0.15	4,850.91	0.14
Insurance	5,637.73	0.17	5,637.73	0.17	5,455.87	0.16
Fuel	4,933.01	0.14	4,933.01	0.14	4,773.88	0.14
Legal & Accounting	2,466.51	0.07	2,466.51	0.07	2,386.94	0.07
Employee benefits	1,409.43	0.04	1,409.43	0.04	1,363.97	0.04
Veterinary and breeding	4,933.01	0.14	4,933.01	0.14	4,773.88	0.14
Testing and trimming	2,818.86	0.08	2,818.86	0.08	2,727.93	0.08
Hauling livestock	704.72	0.02	704.72	0.02	681.98	0.02
Miscellaneous	7,047.16	0.21	7,047.16	0.21	6,819.83	0.20
Total Operating Expenses	**$ 90,598.94**	**$ 2.65**	**$ 90,598.94**	**$ 2.65**	**$ 87,711.87**	**$ 2.57**
% of expenses before capital expenditures to income	**86%**		**87%**		**87%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 491,651.98**	**$ 14.44**	**$ 494,689.98**	**$ 14.53**	**$ 485,274.57**	**$ 14.26**
Net Cash Flow per month	**$ (37,886.95)**	**$ (1.15)**	**$ (40,724.99)**	**$ (1.24)**	**$ (44,551.47)**	**$ (1.34)**
Net Cash Flow over the project	**$ 420,537.14**		**$ 379,812.15**		**$ 335,260.67**	

BUSINESS AFFAIRS AND HUMAN RESOURCES
JANUARY 8, 2006

	Month 46	Month 47	Month 48
Days per Month	31	30	31
Beginning Heifers	1422	1491	1559
Heifers from existing herd	81	81	81
Cull Heifers % (including dead)	0.84%	0.84%	0.84%
Heifers Entering Herd as Springers	0	0	0
Ending Heifers	**1,491**	**1,559**	**1,627**
Springers from Heifer Herd	0	0	0
Less Cull Springers	0	0	0
Fresh Cows from Existing Herd	121	121	121
Cows Pregnant	121	121	121
Purchased Cows	50	50	50
Beginning Mature Herd	1808	1808	1808
Cull % (including dead) (Monthly)	2.75%	2.75%	2.75%
Cull Cows	(50)	(50)	(50)
Ending Mature Herd	**1758**	**1758**	**1758**
Dry Cows entering	121	121	121
Dry Cows Leaving	(121)	(121)	(121)
Total Dry Cows	**242**	**242**	**242**
Dry Cow %	13.79%	13.79%	13.79%
Milking Herd	**1516**	**1516**	**1516**
Total Herd	**1758**	**1758**	**1758**
Days per Month	30	30	30

Income	Dollars	CWT	Dollars	CWT	Dollars	CWT
Lbs. of production per day per lactating cow Lac=1		***75***		***75***		***75***
Cwts. Per month	**12.00**	**35,235.79**	**12.00**	**34,099.15**	**12.00**	**35,235.78**
Milk Price (gross)	$ 422,829.51	$ 12.40	$ 409,189.74	$ 12.00	$ 422,829.31	$ 12.40
Milk Hauling	(10,570.74)	(0.31)	(10,229.74)	(0.30)	(10,570.73)	(0.31)
State and Association	(8,808.95)	(0.26)	(8,524.79)	(0.25)	(8,808.94)	(0.26)
Calf Sales (dollars per calf)	16,267.88	0.48	16,267.89	0.48	16,267.91	0.48
Heifer calf cull sales (dollars per calf)	2,400.00	0.07	2,600.00	0.08	2,600.00	0.08
Cull Cows ($/head)	20,000.00	0.57	20,000.00	0.59	20,000.00	0.57
Crop income	5,000.00	0.14	5,000.00	0.15	5,000.00	0.14
Misc./Research	7,047.16	0.21	6,819.83	0.20	7,047.16	0.21
Total Income	**$ 454,164.86**	**$ 13.30**	**$ 441,122.93**	**$ 12.94**	**$ 454,364.70**	**$ 13.30**
Feed Expense						
Feed cost per lactating cow per day	$ 183,226.12	$ 5.37	$ 177,315.56	$ 5.20	$ 183,226.03	$ 5.37
Feed cost per dry cow per day	15,033.89	0.45	14,548.95	0.43	15,033.93	0.45
Feed cost per heifer per day	64,709.40	1.92	65,478.00	1.95	70,611.80	2.10
Total Feed Expense	**$ 262,969.41**	**$ 7.74**	**$ 257,342.50**	**$ 7.58**	**$ 268,871.77**	**$ 7.92**
Labor						
Administrative Fee	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29	$ 10,000.00	$ 0.29
Avg. monthly salary of other labor/exclusive of research	$ 35,235.79	$ 1.03	$ 34,099.15	$ 1.00	$ 35,235.78	$ 1.03
Labor cost per month	**$ 45,235.79**	**$ 1.33**	**$ 44,099.15**	**$ 1.29**	**$ 45,235.78**	**$ 1.33**
Operating Expenses						
Supplies	$ 21,141.48	$ 0.62	$ 20,459.49	$ 0.60	$ 21,141.47	$ 0.62
Corral cleaning	3,171.22	0.09	3,068.92	0.09	3,171.22	0.09
Repairs & Maintenance	14,094.32	0.41	13,639.66	0.40	14,094.31	0.41
Utilities	9,866.02	0.29	9,547.76	0.28	9,866.02	0.29
Taxes & License	7,399.52	0.22	7,160.82	0.21	7,399.51	0.22
Payroll Taxes (% of gross)	4,975.94	0.15	4,850.91	0.14	4,975.94	0.15
Insurance	5,637.73	0.17	5,455.86	0.16	5,637.72	0.17
Fuel	4,933.01	0.14	4,773.88	0.14	4,933.01	0.14
Legal & Accounting	2,466.51	0.07	2,386.94	0.07	2,466.50	0.07
Employee benefits	1,409.43	0.04	1,363.97	0.04	1,409.43	0.04
Veterinary and breeding	4,933.01	0.14	4,773.88	0.14	4,933.01	0.14
Testing and trimming	2,818.86	0.08	2,727.93	0.08	2,818.86	0.08
Hauling livestock	704.72	0.02	681.98	0.02	704.72	0.02
Miscellaneous	7,047.16	0.21	6,819.83	0.20	7,047.16	0.21
Total Operating Expenses	**$ 90,598.91**	**$ 2.65**	**$ 87,711.83**	**$ 2.57**	**$ 90,598.87**	**$ 2.65**
% of expenses before capital expenditures to income	**88%**		**88%**		**89%**	
Capital Expenditures						
Purchased Cows (Cost/Cow)	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71	$ 92,500.00	$ 2.71
Other	$ -	$ -	$ -	$ -	$ -	$ -
Total Capital Expenditures	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**	**$ 92,500.00**	**$ 2.71**
Borrowing/Repayment of Debt						
	$ -	$ -	$ -	$ -	$ -	$ -
Facility	$ -	$ -	$ -	$ -	$ -	$ -
Interest on Herd line	$ -	$ -	$ -	$ -	$ -	$ -
Interest on land (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Interest on cash contribution (lost opportunity Cost 6.5%)	$ -	$ -	$ -	$ -	$ -	$ -
Payback (Borrow) on herd line	$ -	$ -	$ -	$ -	$ -	$ -
Feed line interest	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27	$ 9,375.00	$ 0.27
Total Debt Service	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**	**$ 9,375.00**	**$ 0.27**
Total Cash Outflows	**$ 500,679.11**	**$ 14.71**	**$ 491,028.48**	**$ 14.43**	**$ 506,581.41**	**$ 14.88**
Net Cash Flow per month	**$ (46,514.25)**	**$ (1.41)**	**$ (49,905.55)**	**$ (1.49)**	**$ (52,216.72)**	**$ (1.58)**
Net Cash Flow over the project	**$ 288,746.42**		**$ 238,840.88**		**$ 186,624.16**	

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SCHEDULE C
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PROJECTED RESULTS FROM OPERATIONS (INCOME STATEMENT)

	1st year ended	CWT	2nd Year Ended	CWT	3rd Year Ended	CWT	4th Year Ended	CWT	Projection Total	CWT
Income:										
Milk	3,892,307	12.00	4,910,179	12.00	4,978,354	12.00	4,978,469	12.00	18,759,309	12.00
Milk hauling	(97,308)	(0.30)	(122,754)	(0.30)	(124,459)	(0.30)	(124,462)	(0.30)	(468,983)	(0.30)
State and Association	(81,090)	(0.25)	(102,295)	(0.25)	(103,716)	(0.25)	(103,718)	(0.25)	(390,819)	(0.25)
Calf Sales	444,744	1.37	392,570	0.96	227,823	0.55	195,217	0.47	1,260,354	0.81
Heifer calf sales (culls)	10,400	0.03	-	0.00	6,000	0.01	23,800	0.06	40,200	0.03
Cull Income	176,000	0.54	240,000	0.59	240,000	0.58	240,000	0.58	896,000	0.57
Crop income	60,000	0.18	60,000	0.15	60,000	0.14	60,000	0.14	240,000	0.15
Misc.	64,872	0.20	81,836	0.20	82,973	0.20	82,974	0.20	312,655	0.20
Total Income	4,469,926	13.78	5,459,535	13.34	5,366,975	12.94	5,352,280	12.90	20,648,716	13.21
Expenses:										
Feed - lactating cows	1,776,031	5.48	2,156,497	5.27	2,157,287	5.20	2,157,337	5.20	8,247,151	5.28
Feed - dry cows	40,691	0.13	177,444	0.43	177,039	0.43	177,014	0.43	572,188	0.37
Feed - heifers	187,373	0.58	-	0.00	185,452	0.45	636,881	1.54	1,009,707	0.65
Total feed expenses	2,004,095	6.18	2,333,941	5.70	2,519,778	6.07	2,971,231	7.16	9,829,046	6.29
Labor:										
Administrative fee	120,000	0.37	120,000	0.29	120,000	0.29	120,000	0.29	480,000	0.31
Other salaries	324,359	1.00	409,182	1.00	414,863	1.00	414,872	1.00	1,563,276	1.00
Total Labor	444,359	1.37	529,182	1.29	534,863	1.29	534,872	1.29	2,043,276	1.31
Operating expenses:										
Supplies	194,615	0.60	245,509	0.60	248,918	0.60	248,923	0.60	937,965	0.60
Corral cleaning	29,192	0.09	36,826	0.09	37,338	0.09	37,339	0.09	140,695	0.09
Repairs & Maintenance	129,744	0.40	163,673	0.40	165,945	0.40	165,949	0.40	625,310	0.40
Utilities	90,820	0.28	114,571	0.28	116,162	0.28	116,164	0.28	437,717	0.28
Taxes & License	68,115	0.21	85,928	0.21	87,121	0.21	87,123	0.21	328,288	0.21
Payroll Taxes (% of gross)	48,879	0.15	58,210	0.14	58,835	0.14	58,836	0.14	224,760	0.14
Insurance	51,897	0.16	65,469	0.16	66,378	0.16	66,380	0.16	250,124	0.16
Fuel	45,410	0.14	57,285	0.14	58,081	0.14	58,082	0.14	218,859	0.14
Legal & Accounting	22,705	0.07	28,643	0.07	29,040	0.07	29,041	0.07	109,429	0.07
Employee benefits	12,974	0.04	16,367	0.04	16,595	0.04	16,595	0.04	62,531	0.04
Veterinary and breeding	45,410	0.14	57,285	0.14	58,081	0.14	58,082	0.14	218,859	0.14
Testing and trimming	25,949	0.08	32,735	0.08	33,189	0.08	33,190	0.08	125,062	0.08
Hauling livestock	6,487	0.02	8,184	0.02	8,297	0.02	8,297	0.02	31,266	0.02
Miscellaneous	64,872	0.20	81,836	0.20	82,973	0.20	82,974	0.20	312,655	0.20
Interest exp	112,500	0.35	112,500	0.27	112,500	0.27	112,500	0.27	450,000	0.29
Total Operating	949,572	2.93	1,165,021	2.85	1,179,452	2.84	1,179,476	2.84	4,473,520	2.86
Total Expenses	3,398,026	10.48	4,028,144	9.84	4,234,092	10.21	4,685,579	11.29	16,345,842	10.46
Cash net income, no depr., no gain/loss on cows	1,071,900	3.30	1,431,391	3.50	1,132,882	2.73	666,701	1.61	4,302,874	2.75
Replacement purchases	(758,500)	(2.34)	(1,137,750)	(2.78)	(1,110,000)	(2.71)	(1,110,000)	(2.71)	(4,116,250)	(2.63)
Net cash flow	313,400	0.97	293,641	0.72	22,882	0.02	(443,299)	(1.11)	186,624	0.12
Other equity changes										
Cost of cows sold	(814,000)		(1,110,000)		(1,110,000)		(1,110,000)		(4,144,000)	
Purchase of cows	758,500		1,137,750		1,110,000		1,110,000		4,116,250	
Herd equity in S/R heifers	187,373		-		283,069		754,011		1,224,453	
Herd Equity Change	131,873		27,750		283,069		754,011		1,196,703	
Net equity change	445,274	1.37	321,391	0.79	305,951	0.74	310,712	0.75	1,383,327	0.88
	CWT		CWT		CWT		CWT			
	324,359		409,182		414,863		414,872		1,563,276	
Breakeven Cash Flow	11.03		11.28		11.94		13.07		11.88	

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BALANCE SHEET ANALYSIS

	Beginning Balance Sheet	Ending Balance sheet Month 12	Ending Balance sheet Month 24	Ending Balance sheet Month 36	Ending Balance sheet Month 48
ASSETS					
CURRENT ASSETS:					
Cash in Bank	$ 2,500,000	$ 2,813,400	$ 3,107,041	$ 3,129,923	$ 2,686,624
Accounts receivable - milk	-	-	-	-	-
Inventory - feed	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Other assets	-	-	-	-	-
Total current assets	$ 4,000,000	$ 4,313,400	$ 4,607,041	$ 4,629,923	$ 4,186,624
FIXED ASSETS:					
Cows (in kind)	$ 3,376,250	$ 2,562,250	$ 1,452,250	$ 342,250	$ -
Self-raised cows	-			-	-
Purchased cows	-	758,500	1,896,250	3,006,250	3,348,500
Self-raised heifers	-	187,373	187,373	470,442	1,224,453
Dairy facility and equipment	9,950,993	9,950,993	9,950,993	9,950,993	9,950,993
Heifer facility	-	-	611,000	611,000	611,000
Buildings/Lab/Housing/Classrooms	3,177,200	3,177,200	3,177,200	3,177,200	3,177,200
Rolling stock	1,145,000	1,145,000	1,145,000	1,145,000	1,145,000
Land	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Accumulated depreciation	-	-	-	-	-
Total fixed assets	$ 22,649,443	$ 22,781,316	$ 23,420,066	$ 23,703,135	$ 24,457,146
Total Assets	$ 26,649,443	$ 27,094,716	$ 28,027,107	$ 28,333,058	$ 28,643,770
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Operating line of credit	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Total current liabilities	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
LONG-TERM DEBT:					
Facility Loan	$ -	$ -	$ -	$ -	$ -
Herd Loan	-	-	-	-	-
Other	-	-	-	-	-
Total Long-Term Debt	$ -	$ -	$ -	$ -	$ -
Total Liabilities	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000
EQUITY:					
Net change in equity from operations	$ -	$ 445,274	$ 321,391	$ 305,951	$ 310,712
Contributed capital -Cash	21,773,193	-	611,000	-	-
Contributed capital -Cows	3,376,250	-	-	-	-
Equity	-	25,149,443	25,594,716	26,527,107	26,833,058
Total equity	$ 25,149,443	$ 25,594,716	$ 26,527,107	$ 26,833,058	$ 27,143,770
Total liabilities and equity	$ 26,649,443	$ 27,094,716	$ 28,027,107	$ 28,333,058	$ 28,643,770

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SCHEDULE E
Page 1 of 1

RISK MANAGEMENT

NET CASH FLOW

Sum of Net cash flow		Feed Cost		
Milk price	Milk prod	L	N	H
$10	L	$ (3,063,873)	$ (3,844,365)	$ (4,624,857)
	N	$ (2,159,436)	$ (2,939,927)	$ (3,720,419)
	H	$ (1,254,998)	$ (2,035,490)	$ (2,815,981)
$12	L	$ (233,373)	$ (1,013,865)	$ (1,794,357)
	N	$ 967,116	$ 186,624	$ (593,868)
	H	$ 2,167,605	$ 1,387,113	$ 606,622
$15	L	$ 4,012,377	$ 3,231,885	$ 2,451,393
	N	$ 5,656,943	$ 4,876,451	$ 4,095,960
	H	$ 7,301,510	$ 6,521,018	$ 5,740,526

BREAK-EVEN MILK PRICE

Sum of BE Milk Price		Feed Cost		
Milk price	Milk prod	L	N	H
$10	L	$ 12.16	$ 12.72	$ 13.27
	N	$ 11.38	$ 11.88	$ 12.38
	H	$ 10.73	$ 11.19	$ 11.65
$12	L	$ 12.16	$ 12.72	$ 13.27
	N	$ 11.38	$ 11.88	$ 12.38
	H	$ 10.73	$ 11.19	$ 11.65
$15	L	$ 12.16	$ 12.72	$ 13.27
	N	$ 11.38	$ 11.88	$ 12.38
	H	$ 10.73	$ 11.19	$ 11.65

Milk Production	
Low	base decreased 10%
Normal (base)	70 lbs/day
High	base increased 10%

Feed Cost		
Low		
	Lactating	3.65
	Dry	1.75
	Heifer	1.15
Normal		
	Lactating	3.90
	Dry	2.00
	Heifer	1.40
High		
	Lactating	4.15
	Dry	2.25
	Heifer	1.65

CLASS III MILK PRICE

Year	Annual Average Class III	Idaho Basis	Gross Pay Per Cwt.
1994	$12.00	($0.67)	$11.33
1995	$11.83	($0.67)	$11.16
1996	$13.39	($0.67)	$12.72
1997	$12.05	($0.67)	$11.38
1998	$14.20	($0.67)	$13.53
1999	$12.43	($0.67)	$11.76
2000	$9.74	($0.67)	$9.07
2001	$13.10	($0.67)	$12.43
2002	$10.42	($0.67)	$9.75
2003	$11.42	($0.67)	$10.75
2004	$15.39	($0.67)	$14.72
2005	$14.05	($0.67)	$13.38
**2006	$11.47	($0.67)	$10.80
Average	$12.42		$11.75
Basis (11/04-08/06)	($0.67)		
Net	$11.75		

** 8 Months of 2006

Pay Price Comparison

Magic Valley, Idaho

Processor	IMP	Glanbia	Jerome	MVQMP	NDA	DFA	Average	Class III	Basis
2004									
November	15.27	15.22	15.35	14.89	15.41	14.28	$15.07	14.89	$0.18
December	13.98	13.89	13.95	14.62	14.30	14.85	$14.27	16.14	($1.88)
2005									
January	14.65	14.69	14.34	14.14	14.77	14.42	$14.50	14.14	$0.36
February	13.35	13.39	13.47	14.14	13.46	13.89	$13.62	14.70	($1.08)
March	13.75	13.82	13.57	13.71	13.88	14.50	$13.87	14.08	($0.21)
April	13.71	13.76	13.67	13.92	13.88	13.91	$13.81	14.61	($0.80)
May	13.14	13.23	13.08	13.33	13.30	13.86	$13.32	13.77	($0.45)
June	13.51	13.58	13.57	13.53	13.62	13.67	$13.58	13.92	($0.34)
July	13.56	13.62	13.56	13.74	13.66	14.25	$13.73	14.35	($0.62)
August	13.03	13.11	12.90	13.15	13.06	14.11	$13.23	13.60	($0.37)
September	13.81	13.92	13.84	13.66	14.07	14.19	$13.92	14.30	($0.39)
October	13.17	12.88	13.01	13.31	13.07	14.05	$13.25	14.35	($1.10)
November	12.43	12.29	12.16	12.35	12.44	13.36	$12.51	13.35	($0.84)
December	12.77	12.76	12.70	12.71	12.94	12.85	$12.79	13.37	($0.58)
2005 Average	13.41	13.42	13.32	13.47	13.51	13.92	$13.51	14.05	($0.54)
14 Month Avg.	13.58	13.58	13.51	13.66	13.70	14.01	$13.68	14.26	($0.58)

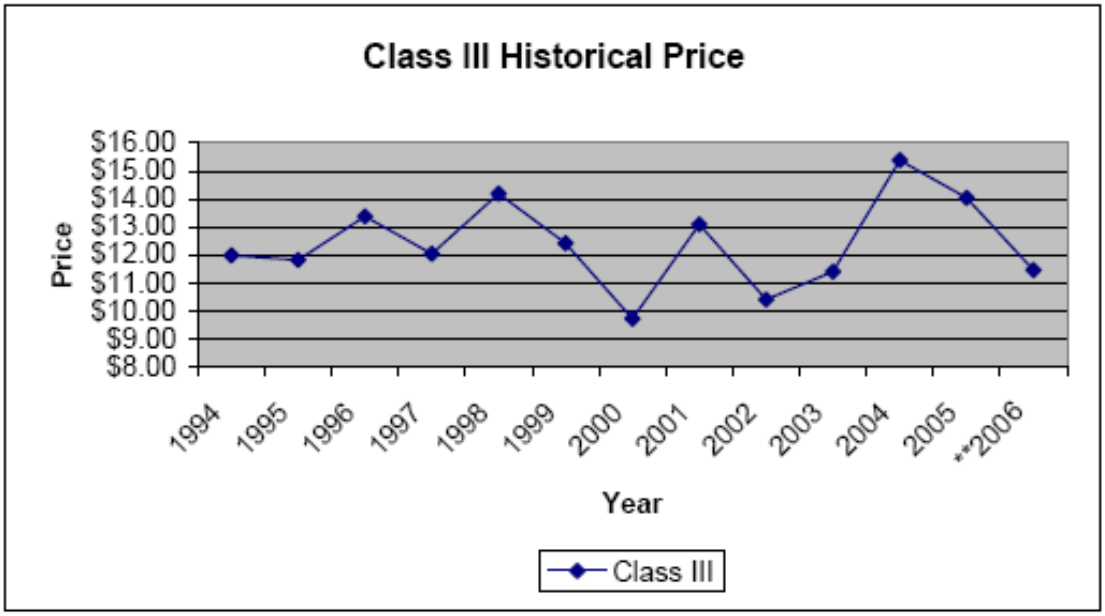
***Prices are based on a 2.99% Protein and 3.50% Butterfat test*
***Prices exclude hauling and management expenses, and quality premiums*

Pay Price Comparison

Magic Valley, Idaho

Processor 2006	IMP	Glanbia	Jerome	MVQMP	NDA	DFA	Average	Class III	Basis
January	$12.25	$11.94	$11.98	$12.38	$12.11	$12.93	$12.27	$13.39	($1.13)
February	$11.02	$10.66	$10.85	$11.21	$10.86	$12.29	$11.15	$12.20	($1.05)
March	$10.36	$10.23	$10.00	$10.61	$10.46	$11.46	$10.52	$11.11	($0.59)
April	$10.28	$10.25	$10.20	$10.42	$10.47	$10.49	$10.35	$10.93	($0.58)
May	$10.43	$10.55	$10.29	$10.51	$10.73	$10.37	$10.48	$10.83	($0.35)
June	$10.70	$10.66	$10.82	$10.73	$10.82	$10.27	$10.67	$11.29	($0.62)
July	$10.24	$10.23	$10.19	$10.42	$10.42	$10.65	$10.36	$10.92	($0.56)
August	$10.86	$10.90	$10.78	$10.74	$11.24	$11.17	$10.95	$11.06	($0.11)
September	$11.68						$11.68	$12.29	($0.61)
October									
November									
December									
2006 Average	$10.87	$10.68	$10.64	$10.88	$10.89	$11.20	$10.94	$11.56	($0.62)

***Prices are based on a 2.99% Protein and 3.50% Butterfat test*
***Prices exclude hauling and management expenses, and quality premiums*


Class III Historical Price
Price
$16.00
$15.00
$14.00
$13.00
$12.00
$11.00
$10.00
$9.00
$8.00
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
**2006
Year
Class III

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REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

K. Construction Projects

1. Major Project Approvals - Proposed Plans

   Without regard to the source of funding, before any institution, school or agency under the governance of the Board begin formal planning to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. All projects identified on the institutions', school's or agencies' six-year capital plan must receive Board approval.

2. Project Approvals

   Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities, when the cost of the project is estimated to be between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000), must first be submitted to the executive director for review and approval. Without regard to the source of funding, proposals by any institution, school or agency under the governance of the Board to make capital improvements, either in the form of renovation or addition to or demolition of existing facilities or construction of new facilities, when the cost of the project is estimated to exceed five hundred thousand dollars ($500,000), must first be submitted to the Board for its review and approval. Project cost must be detailed by major category (construction cost, architecture fees, contingency funds, and other). When a project is under the primary supervision of the Board of Regents or the Board and its institutions, school or agencies, a separate budget line for architects, engineers, or construction managers and engineering services must be identified for the project cost. Budgets for maintenance, repair, and upkeep of existing facilities must be submitted for Board review and approval as a part of the annual operating budget of the institution, school or agency.

3. Fiscal Revisions to Previously Approved Projects

   Project revisions that substantially alter the use of the project causing changes in project costs between two hundred fifty thousand dollars ($250,000) and five hundred thousand dollars ($500,000) must first be submitted to the executive director for review and approval. Changes in project costs of more than five hundred thousand dollars ($500,000) must first be submitted to the Board for its review and approval. Requests must be supported by a revised detailed project budget and justification for changes.

4. Project Acceptance
   Projects under the supervision of the Department of Administration are accepted by the Department on behalf of the Board and the state of Idaho. Projects under the supervision of an institution, school or agency are accepted by the institution, school or agency and the project architect. Projects under the supervision of the University of Idaho are accepted by the University on behalf of the Board of Regents.

5. Statute and Code Compliance

   a. All projects must be in compliance with Section 504 of the Rehabilitation Act of 1973 and must provide access to all persons. All projects must be in compliance with applicable state and local building and life-safety codes and applicable local land-use regulations as provided in Chapter 41, Title 39, and Section 67-6528, Idaho Code.

   b. In designing and implementing construction projects, due consideration must be given to energy conservation and long-term maintenance and operation savings versus short-term capital costs.

INSTITUTION / AGENCY AGENDA

REFERENCE

August, 2006	Board approved FY 2008 College and University and Agency budget requests.
October 2006	Board approved revisions to original budget requests.

SUBJECT

Adjust Board-approved budget requests for FY 2007 to include Supplemental Request for Idaho State Historical Society (ISHS).

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.B.1

BACKGROUND

At its August 2006 meeting, the State Board of Education approved Maintenance of Current Operations (MCO) and Line Item budget requests for submission to the Legislative Services Office (LSO) and Division of Financial Management (DFM). At the October 2006 meeting the Board approved several revisions to budgets.

Events at the Idaho State Historical Society have caused the Society Trustees to request additional funds for a management level accounting position.

DISCUSSION

Following three legislative financial audits and an audit by the State Controller's Office of the finances and fiscal procedures of the ISHS, it has been determined that funding a new management level accountant (using an existing ISHS vacant position) is necessary. This position will supervise all fiscal staff and meet regularly with the ISHS management team and the ISHS Trustees.

IMPACT

The ISHS supplemental request totals $75,500 General Funds for FY 2007 ($23,500 ongoing and $52,000 one-time), and the FY 2008 request totals $53,000 General Funds (all ongoing). These amounts will support a new financial manager position (to be hired on approximately March 1, 2007), and provide a one-time payment of costs to the financial consultant from June 2006 through March 15, 2007. The FY 2008 request annualizes the salary and benefits for a Financial Manager position.

ATTACHMENTS

Attachment 1 – Budget request documents

STAFF COMMENTS AND RECOMMENDATIONS

Staff has worked closely with the Trustees and staff of the ISHS regarding the developments relating to recent audit findings and the identification of possible solutions. Funding a financial manager position and paying the billings from the contractor who has been working with the ISHS will allow the agency to move forward with improving its financial staff level.

Staff recommends approval of this item.

BOARD ACTION

A motion to approve a Supplemental Request for FY 2007 for the Idaho State Historical Society in the amount of $75,500, General Funds, ($23,500 ongoing and $52,000 one-time) for a new financial manager position and payment of financial contractor billings, and an FY 2008 request in the amount of $53,000 (ongoing). No new FTE position is requested.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

Idaho State Historical Society **ATTACHMENT 1**
Supplemental Appropriation Request for a Financial Manager

The Idaho State Historical Society (ISHS) is requesting a supplemental appropriation to fund a management level accountant. The person who fills this position will manage all fiscal operations, supervise the fiscal office staff (currently 4 FTP), and become part of the ISHS management team. The Financial Manager will meet regularly with the Executive Director and other ISHS management staff, as well as the ISHS Board of Trustees.

This supplemental request includes no additional FTEs. A current unfunded FTE will be utilized.

Amount of Supplemental Request

FY 07

Fund	PC	OE	Total
0001	23,500	52,000	75,500

General fund in the amount of $75,500 is requested for FY 07. This includes funding for an experienced Financial Manager for eight (8) pay periods, beginning March 1, in the amount of $17,300 for salary and $6,200 for benefits, for a total of $23,500 in personnel costs.

In addition, $52,000 in one-time costs is requested in operating costs to pay the financial consultant (Donna Walker, former Chief Fiscal Officer for the Idaho Department of Law Enforcement) for financial services for the period June 2006 through March 15, 2007. The Office of the State Controller and the Legislative Services Office both recommended that the ISHS Executive Director hire this consultant to help ISHS with its grants management program and to write its FY 07 indirect cost plan, which has since been approved by the U.S. Department of the Interior. Since November 1, 2006, the Board of Trustees and the Interim Executive Director have also requested her services to assist with additional ongoing problems identified in the fiscal office as well as grants management services, including writing the FY 08 indirect cost plan. The fiscal office has been shorthanded since October 19, 2006 when the Financial Specialist, Senior was placed on leave. The contractor is fulfilling an indispensable role in assisting with the daily operations of ISHS, and will continue to be needed to do so until the Financial Manager position requested with this supplemental can be filled.

This proposal allows for approximately two weeks for the consultant to remain at ISHS after the Financial Manager has been hired to acquaint the Financial Manager with the operations.

An additional $53,000 in personnel costs will be needed in the ISHS FY 08 appropriation to annualize this position. (Total cost in FY 08 will be $56,200 for salary and $20,300 for benefits for a total cost of $76,500)

FY 08

Fund	PC	Total
0001	76,500	76,500

Rationale for this Supplemental Request

Virtually all aspects of the ISHS fiscal office require attention, as noted in the recent Legislative Services Office audit and the Office of the State Controller report. Some of the recommendations contained in the audit and report are currently being addressed by ISHS. However, many of the recommendations contained in the audit and report require a level of expertise in the ISHS fiscal office staff that is not currently available. It is the strong belief of the current Interim Executive Director (Keith Petersen, hired on November 6, 2006), fiscal office consultant (Donna Walker, hired March 2006), and Board of Trustees that, given the current level of staffing and expertise in the fiscal office, serious issues and concerns simply cannot be addressed, particularly in three areas outlined below: complexity of operations, grants management, and financial reporting.

ISHS is requesting this supplemental appropriation to provide for the level of staffing and financial expertise to enable the society to properly function as a state agency. Continued staffing at the current level almost assuredly will consign ISHS to failure.

Complexity of Operations

The ISHS FY 07 appropriation is over $5 million and includes 50 full-time authorized positions. In addition, ISHS utilizes more than 250 volunteers to carry out its functions. This Financial Manager position will be responsible for implementing and maintaining the recommendations of the Legislative Services Office contained in the previous two audits covering the period FY 2001-2005, as well as resolving problems identified in the Office of the State Controller report released in November 2006. These recommendations include full implementation of the state's STARS system, annual review and update of internal controls throughout the Society including roles and responsibilities of the ISHS Board of Trustees as mandated by the Controller, and maintenance of an adequate grants administrations system.

Currently, ISHS has only one professional accountant position to oversee personnel, payroll, accounts receivable, accounts payable, budgeting, agency financial closing packages for the State Controller's Office, purchase orders, inventory, capital assets management (includes more than 60 historical sites), federal/state/private grants management including the annual indirect cost plan, and financial reporting. Compared to other state agencies, especially given the complexities of grants management in addition to all of the personnel functions (performance evaluations, grievances, hiring, promotions, salary issues, job classification, and terminations), the workload at ISHS is simply too much for one professional accountant to manage adequately. Fiscal problems at ISHS have been identified for years (see prior audits). However, when the

prior accountant retired in the fall of 2005, the problems continued to mount and cannot be resolved with the current staff level.

Grants Management

For FY 06 ISHS had approximately 50 grants and sub-grants from seven different federal agencies. During this time period, ISHS expended approximately $800,000 in federal funds, plus approximately $350,000 in additional non-federal matching funds from other sources. In addition, ISHS has a number of smaller grants/cooperative agreements with various state universities and colleges, state agencies, and private organizations.

Proper management of these grants has been a major problem at ISHS, as identified in the two prior Legislative Services Office audits (2001-2005). In fact, by March 2006 the problem had grown so desperate that the legislative auditors informed the ISHS Executive Director that the agency was in danger of losing all of its federal grants because the grant files were in such poor condition that they were unauditable. In addition, the ISHS indirect cost plan that was supposed to be submitted to the U.S. Department of Interior by December 30, 2005 had not even been written, because the ISHS accountant (Financial Specialist, Senior) did not know how to write one. Indirect cost recovery, approximately $250,000, is the major source of non-federal match for ISHS federal grants.

Financial Reporting

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For years, the management team–along with the Board of Trustees–has been handicapped in making decisions because the Financial Specialist, Senior has not presented readable or understandable financial statements. Many of the problems identified by the Legislative Services Office audit and the Office of the State Controller report are attributable to the inability of the Executive Director, administrators, and Trustees to understand the Society's financial situation and plan accordingly. For example, the Idaho State Historical Museum, which has been accredited with the American Association of Museums longer than any other museum in the West, is in danger of losing its accreditation in 2007, and a primary reason noted by the AAM study team was lack of decipherable financial statements, which made planning and budgeting virtually impossible. The State Museum losing accreditation would be similar to a professional school at a university losing accreditation, and would have dramatic negative impacts on the Society. Having a Financial Manager on board early in 2007 will allow the Society to address the financial concerns raised by the AAM study team prior to their return to the facility in late summer 2007.

The Museum is only one example of the difficulties caused by the lack of sound financial reporting. This issue must be addressed. ISHS's current STARS accounting program structure needs to be updated and revised to fully implement and utilize the STARS and newly acquired IBIS software reporting systems. Despite prior audit recommendations, this has not been done. This is in part due to lack of professional fiscal office staff with the knowledge to review and implement the needed changes.

Summary

The viability of ISHS as a state agency depends upon a knowledgeable manager of its fiscal office. Because of lack of funding and leadership, this issue has been neglected in the past, to the point that the Society is now in a crisis situation. A Financial Manager will enable the Society to not only address the short-term crisis, but such a position is also necessary for the long-term health of the agency. Given the complexity of the task as outlined above, it is clear to the current Interim Executive Director and the fiscal office consultant that such a position should have been funded years ago. It is a vital and necessary position that is required for the very survival of the agency

REQUEST BY DECISION UNIT

AGENCY: Idaho State Historical Society | Agency No.: 522 | FY 2007 Request

FUNCTION: | Function No.: 01 | Page ___ of ___ Pages

ACTIVITY: | Activity No.: | Original Submission ___ or Revision No. ___

A: Decision Unit No: 4.2 | Description: Financial Mgr./ OE for Contractor | Agency Priority Ranking of

DESCRIPTION	General	Dedicated	Federal	Other	Total
FULL TIME POSITIONS (FTP)					
PERSONNEL COSTS:					
1. Salaries	17,300				17,300
2. Benefits	6,200				6,200
TOTAL PERSONNEL COSTS:	23,500	0	0	0	23,500
OPERATING EXPENDITURES **by summary object:**					
Contrator Services June 2006 - March 2007 (this is a one-time request)	52,000				52,000
TOTAL OPERATING EXPENDITURES:	52,000	0	0	0	52,000
CAPITAL OUTLAY **by summary object:**					
TOTAL CAPITAL OUTLAY:					
T/B PAYMENTS:					
LUMP SUM:					
GRAND TOTAL	75,500	0	0	0	75,500

The Idaho State Historical Society (ISHS) is requesting a supplemental appropriation to fund a management level accountant. The person who fills this position will manage all fiscal operations, supervise the fiscal office staff (currently 4 FTP), and become part of the ISHS management team. The Financial Manager will meet regularly with the Executive Director and other ISHS management staff, as well as the ISHS Board of Trustees.

This supplemental request includes no additional FTEs. A current unfunded FTE will be utilized.

General fund in the amount of $75,500 is requested for FY 07. This includes funding for an experienced Financial Manager for eight (8) pay periods, beginning March 1, in the amount of $17,300 for salary and $6,200 for benefits, for a total of $23,500 in personnel costs.

In addition, $52,000 in one-time costs is requested in operating costs to pay the financial consultant (Donna Walker, former Chief Fiscal Officer for the Idaho Department of Law Enforcement) for financial services for the period June 2006 through March 15, 2007. The Office of the State Controller and the Legislative Services Office both recommended that the ISHS Executive Director hire this consultant to help ISHS with its grants management program and to write its FY 07 indirect cost plan, which has since been approved by the U.S. Department of the Interior. Since November 1, 2006, the Board of Trustees and the Interim Executive Director have also requested her services to assist with additional ongoing problems identified in the fiscal office as well as grants management services, including writing the FY 08 indirect cost plan. The fiscal office has been shorthanded since October 19, 2006 when the Financial Specialist, Senior was placed on leave. The contractor is fulfilling an indispensable role in assisting with the daily operations of ISHS, and will continue to be needed to do so until the Financial Manager position requested with this supplemental can be filled. This proposal allows for approximately two weeks for the consultant to remain at ISHS after the Financial Manager has been hired to acquaint the Financial Manager with the operations.

Rationale for this Supplemental Request

Virtually all aspects of the ISHS fiscal office require attention, as noted in the recent Legislative Services Office audit and the Office of the State Controller report. Some of the recommendations contained in the audit and report are currently being addressed by ISHS. However, many of the recommendations contained in the audit and report require a level of expertise in the ISHS fiscal office staff that is not currently available. It is the strong belief of the current Interim Executive Director (Keith Petersen, hired on November 6, 2006), fiscal office consultant (Donna Walker, hired March 2006), and Board of Trustees that, given the current level of staffing and expertise in the fiscal office, serious issues and concerns simply cannot be addressed, particularly in three areas outlined below: complexity of operations, grants management, and financial reporting.

ISHS is requesting this supplemental appropriation to provide for the level of staffing and financial expertise to enable the society to properly function as a state agency. Continued staffing at the current level almost assuredly will consign ISHS to failure.

A: Decision Unit No: 4.2 Description: Financial Mgr./ OE for Contractor Agency Priority Ranking of

Continued:

Complexity of Operations

The ISHS FY 07 appropriation is over $5 million and includes 50 full-time authorized positions. In addition, ISHS utilizes more than 250 volunteers to carry out its functions. This Financial Manager position will be responsible for implementing and maintaining the recommendations of the Legislative Services Office contained in the previous two audits covering the period FY 2001-2005, as well as resolving problems identified in the Office of the State Controller report released in November 2006. These recommendations include full implementation of the state's STARS system, annual review and update of internal controls throughout the Society including roles and responsibilities of the ISHS Board of Trustees as mandated by the Controller, and maintenance of an adequate grants administrations system.

Currently, ISHS has only one professional accountant position to oversee personnel, payroll, accounts receivable, accounts payable, budgeting, agency financial closing packages for the State Controller's Office, purchase orders, inventory, capital assets management (includes more than 60 historical sites), federal/state/private grants management including the annual indirect cost plan, and financial reporting. Compared to other state agencies, especially given the complexities of grants management in addition to all of the personnel functions (performance evaluations, grievances, hiring, promotions, salary issues, job classification, and terminations), the workload at ISHS is simply too much for one professional accountant to manage adequately. Fiscal problems at ISHS have been identified for years (see prior audits). However, when the prior accountant retired in the fall of 2005, the problems continued to mount and cannot be resolved with the current staff level.

Grants Management

For FY 06 ISHS had approximately 50 grants and sub-grants from seven different federal agencies. During this time period, ISHS expended approximately $800,000 in federal funds, plus approximately $350,000 in additional non-federal matching funds from other sources. In addition, ISHS has a number of smaller grants/cooperative agreements with various state universities and colleges, state agencies, and private organizations.

Proper management of these grants has been a major problem at ISHS, as identified in the two prior Legislative Services Office audits (2001-2005). In fact, by March 2006 the problem had grown so desperate that the legislative auditors informed the ISHS Executive Director that the agency was in danger of losing all of its federal grants because the grant files were in such poor condition that they were unauditable. In addition, the ISHS indirect cost plan that was supposed to be submitted to the U.S. Department of Interior by December 30, 2005 had not even been written, because the ISHS accountant (Financial Specialist, Senior) did not know how to write one. Indirect cost recovery, approximately $250,000, is the major source of non-federal match for ISHS federal grants.

Financial Reporting

The ISHS is divided into several units: administration; fiscal office; State Historical Museum; State Historic Preservation Office; Historic Sites/Old Idaho Penitentiary; and Public Archives and Research Library. The administrator of each unit, along with the Executive Director, makes up the management team of the Society.

For years, the management team–along with the Board of Trustees–has been handicapped in making decisions because the Financial Specialist, Senior has not presented readable or understandable financial statements. Many of the problems identified by the Legislative Services Office audit and the Office of the State Controller report are attributable to the inability of the Executive Director, administrators, and Trustees to understand the Society's financial situation and plan accordingly. For example, the Idaho State Historical Museum, which has been accredited with the American Association of Museums longer than any other museum in the West, is in danger of losing its accreditation in 2007, and a primary reason noted by the AAM study team was lack of decipherable financial statements, which made planning and budgeting virtually impossible. The State Museum losing accreditation would be similar to a professional school at a university losing accreditation, and would have dramatic negative impacts on the Society. Having a Financial Manager on board early in 2007 will allow the Society to address the financial concerns raised by the AAM study team prior to their return to the facility in late summer 2007.

The Museum is only one example of the difficulties caused by the lack of sound financial reporting. This issue must be addressed. ISHS's current STARS accounting program structure needs to be updated and revised to fully implement and utilize the STARS and newly acquired IBIS software reporting systems. Despite prior audit recommendations, this has not been done. This is in part due to lack of professional fiscal office staff with the knowledge to review and implement the needed changes.

A: Decision Unit No: 4.2 Description: Financial Mgr./ OE for Contractor Agency Priority Ranking of

Continued:

Summary

The viability of ISHS as a state agency depends upon a knowledgeable manager of its fiscal office. Because of lack of funding and leadership, this issue has been neglected in the past, to the point that the Society is now in a crisis situation. A Financial Manager will enable the Society to not only address the short-term crisis, but such a position is also necessary for the long-term health of the agency. Given the complexity of the task as outlined above, it is clear to the current Interim Executive Director and the fiscal office consultant that such a position should have been funded years ago. It is a vital and necessary position that is required for the very survival of the agency

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REQUEST BY DECISION UNIT

AGENCY: Idaho State Historical Society | Agency No.: 522 | FY 2008 Request

FUNCTION: | Function No.: 01 | Page ___ of ___ Pages

ACTIVITY: | Activity No.: | Original Submission ___ or Revision No. ___

A: Decision Unit No: 12.1x | Description: Annualization for Financial Mgr. | Agency Priority Ranking of

DESCRIPTION	General	Dedicated	Federal	Other	Total
FULL TIME POSITIONS (FTP)					
PERSONNEL COSTS:					
1. Salaries	38,900				38,900
2. Benefits	14,100				14,100
TOTAL PERSONNEL COSTS:	53,000	0	0	0	53,000
OPERATING EXPENDITURES **by summary object:**					
TOTAL OPERATING EXPENDITURES:	0	0	0	0	0
CAPITAL OUTLAY **by summary object:**					
TOTAL CAPITAL OUTLAY:					
T/B PAYMENTS:					
GRAND TOTAL	53,000	0	0	0	53,000

The Idaho State Historical Society (ISHS) requested a supplemental appropriation to fund eight pay periods for a management level accountant. This request is for the annualization of that position. General fund in the amount of $53,000 is requested for FY 08. This will be a total of $76,500 for the salary and benefits for this position.

The person who fills this position will manage all fiscal operations, supervise the fiscal office staff (currently 4 FTP), and become part of the ISHS management team. The Financial Manager will meet regularly with the Executive Director and other ISHS management staff, as well as the ISHS Board of Trustees.

Complexity of Operations

The ISHS FY 07 appropriation is over $5 million and includes 50 full-time authorized positions. In addition, ISHS utilizes more than 250 volunteers to carry out its functions. This Financial Manager position will be responsible for implementing and maintaining the recommendations of the Legislative Services Office contained in the previous two audits covering the period FY 2001-2005, as well as resolving problems identified in the Office of the State Controller report released in November 2006. These recommendations include full implementation of the state's STARS system, annual review and update of internal controls throughout the Society including roles and responsibilities of the ISHS Board of Trustees as mandated by the Controller, and maintenance of an adequate grants administrations system.

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A: Decision Unit No: 12.1x | Description: Annualization for Financial Mgr. | Agency Priority Ranking of

Continued:

Grants Management

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The Museum is only one example of the difficulties caused by the lack of sound financial reporting. This issue must be addressed. ISHS's current STARS accounting program structure needs to be updated and revised to fully implement and utilize the STARS and newly acquired IBIS software reporting systems. Despite prior audit recommendations, this has not been done. This is in part due to lack of professional fiscal office staff with the knowledge to review and implement the needed changes.

Summary

The viability of ISHS as a state agency depends upon a knowledgeable manager of its fiscal office. Because of lack of funding and leadership, this issue has been neglected in the past, to the point that the Society is now in a crisis situation. A Financial Manager will enable the Society to not only address the short-term crisis, but such a position is also necessary for the long-term health of the agency. Given the complexity of the task as outlined above, it is clear to the current Interim Executive Director and the fiscal office consultant that such a position should have been funded years ago. It is a vital and necessary position that is required for the very survival of the agency

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. FINANCIAL AFFAIRS
Subsection B. Budget Policy **April 2002**

1. Budget Requests

   For purposes of Item 1., the community colleges (CSI and NIC), the State Historical Society, and the State Library are included.

   a. Submission of Budget Requests

      The Board is responsible for submission of budget request for the institutions, school and agencies under its governance to the executive and legislative branches of government. Only those budget requests which have been formally approved by the Board will be submitted by the office to the executive and legislative branches.

   b. Direction by the Office of the State Board of Education

      The preparation of all annual budget requests is to be directed by the Office of the State Board of Education which designates forms to be used in the process. The procedures for the preparation and submission of budget requests apply to operational and capital improvements budgets.

   c. Preparation and Submission of Annual Budget Requests

      Annual budget requests to be submitted to the Board by the institutions, school and agencies under Board governance are due in the Office of the State Board of Education on the date established by the executive director.

   d. Presentation to the Board

Annual budget requests are formally presented to the designated committee by the chief executive officer of each institution, school or agency or his or her designee. The designated committee will review the requests and provide recommendations to the Board for their action.

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INSTITUTION / AGENCY AGENDA

REFERENCE

August, 2006	Board approved FY 2008 College and University and Agency budget requests.
October 2006	Board approved revisions to original budget requests.

SUBJECT

Adjust Board-approved budget requests for FY 2008 to include a new Line Item for the Office of the State Board of Education (OSBE).

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section V.B.1

BACKGROUND

At its August 2006 meeting, the State Board of Education approved Maintenance of Current Operations (MCO) and Line Item budget requests for submission to the Legislative Services Office (LSO) and Division of Financial Management (DFM). At the October 2006 meeting the Board approved several revisions to budgets.

This request is in addition to the previously approved budget for OSBE.

DISCUSSION

Previously, the Board appointed an Idaho School for the Deaf and Blind (ISDB) Committee to review the best delivery model for deaf and visually impaired educational services in Idaho. The ISDB Committee has appointed two transition committees, one to deal with issues affecting the deaf/hard-of-hearing, and one to deal with issues affecting the blind and visually impaired. The Deaf Transition Committee will work out of the OSBE. A request is being made to transfer one FTE and related costs from the ISDB budget to the OSBE budget. This staff position will assist with the ongoing work of the committee as the statewide service delivery model for deaf education services is reviewed.

The Idaho Commission for Blind and Visually Impaired (IBCVI) is also requesting the transfer of one FTE and related costs from the ISDB budget to support the blind transition committee.

IMPACT

Having a staff position for each of the transition committees will allow the Board to have the ability to work more closely with stakeholders in the deaf community in Idaho as the transition of service delivery moves forward. Funding for both positions, and related operating expenses, is anticipated to be provided via a transfer of General Funds from the budget of the School for the Deaf and Blind.

ATTACHMENTS

Attachment 1 – Budget request documents (B-8.1).

STAFF COMMENTS AND RECOMMENDATIONS

Staff has participated with the transition committees and understands the importance of having support for these committees to be able to review deaf and visually impaired services statewide and assist with administrative duties related to engaging stakeholder support.

Staff recommends approval of this item.

BOARD ACTION

A motion to approve a Line Item request for FY 2008 for the Office of the State Board of Education in the amount of $60,000, General Funds ($58,000 ongoing, $2,000 one-time) for a staff position to support the Deaf Transition Committee. One new FTE position is requested.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

REQUEST BY DECISION UNIT

AGENCY: Office of the State Board of Education | Agency No.: 501 | FY 2008 Request

FUNCTION: OSBE | Function No.: 02 | Page 1 of 1 Pages

ACTIVITY: | Activity No.:

A: Decision Unit No: 12.09 | Descriptive Title **Staff, Deaf Transition Committee** | Agency Priority Ranking of

DESCRIPTION	General	Dedicated	Federal	Other	Total
FULL TIME POSITIONS (FTP)	1.00				1.00
PERSONNEL COSTS:					
1. Salary - ISDB Transition Position	39,400				39,400
2. Benefits	16,100				16,100
TOTAL PERSONNEL COSTS:	55,500	0	0	0	55,500
OPERATING EXPENDITURES **by summary object:**					
1. Travel, lodging, and related	2,500				2,500
2.					
TOTAL OPERATING EXPENDITURES:	2,500	0	0	0	2,500
CAPITAL OUTLAY **by summary object:**					
1. Computer and related	2,000				2,000
2.					
TOTAL CAPITAL OUTLAY:	2,000	0	0	0	2,000
T/B PAYMENTS:					
LUMP SUM:					
GRAND TOTAL	60,000	0	0	0	60,000

B: Use the financial data matrix above to summarize requested resources by fund source and by expenditure class at the summary object level. Attach as many pages as necessary to respond in a narrative fashion to the following questions:

1. What is being requested and why? What is the agency current staffing level for this activity and how much funding by source is in the base?
Request that 1.0 FTP be transferred from the Idaho School for the Deaf and the Blind (ISDB) to the Office of the State Board of Education (OSBE), to guide the transition from the current delivery model to a new delivery model. This position would be responsible for staffing the Deaf Transition Committee, to include coordinating regional meetings for the purpose of explaining the proposed delivery model to interested parties; preparing Transition Committee meeting agendas, etc. The person hired should have some expertise in deaf education and would complete the timeline established by the SBOE working group which would include the completion and Board approval of state deaf education standards, creation of a service delivery model, creation of a funding structure and creation of a transition plan. This position would facilitate the transition process to the new model no later than July of 2009.

The OSBE has been providing support to the process through a portion of the Chief Elementary Secondary Academic Officer position. This support has been approximately 5 hours per week over the course of the SBOE committee and workgroup but has increased to approximately 20 hours per week as the transition team moves forward to meet the deadlines established by the Board. The workload is expected to increase further as the transition time approaches.

2. What resources are necessary to implement this request?
Request the transfer of 1 FTP and funding from the Idaho School for the Deaf and Blind, with associated General Funds.

3. Please break out fund sources with anticipated expenditures in the financial data matrix.
This request is for a PG 41 position. Hire date will be 7/1/07.

4. Who is being served by this request and what are the expected impacts of the funding requested? If this request is not funded who and what are impacted?
This request will assist in the development of a delivery model and the transition of the ISDB to this model. This will benefit the ISDB Working Group, parents and children that receive these services.

The requested position is a companion to a similar position being requested by the Idaho Commission for the Blind and Visually Impaired.

REFERENCE: APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education
GOVERNING POLICIES AND PROCEDURES
SECTION: V. FINANCIAL AFFAIRS
Subsection B. Budget Policy **April 2002**

1. Budget Requests

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TAB	DESCRIPTION	ACTION
1	**OPPORTUNITY SCHOLARSHIP LEGISLATION**	Motion to Approve
2	**HIGH NEED EDUCATOR LOAN FORGIVENESS**	Motion to Approve

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SUBJECT

Opportunity Scholarship Legislation

REFERENCE

November 30 - December 1, 2006 — This topic was approved at the November 30, 2006 board meeting. The Board requested additional information.

APPLICABLE STATUTE, RULE, OR POLICY

N/A

BACKGROUND

The Idaho State Board of Education's efforts at increasing graduation requirements will assist many of Idaho's children with the necessary academic preparation to be successful in postsecondary education. Unfortunately, Idaho has a very high percentage of children living at or near the federal poverty level and for most of these students; academic preparation alone will not provide them access to postsecondary education. During the 2005-2006 school year, forty-two percent of Idaho's school children qualified for the federal free and reduced lunch program. This means that nearly half of Idaho families are from households where the family income is lower than 185% of the federal poverty level. Without financial assistance, many of these students, who are prepared to go to college, will be shut out of opportunities to improve their circumstances. These students and others from similar circumstances will likely qualify for federal grant aid, yet they will still not have the financial resources to make postsecondary education a reality.

The Student Aid Taskforce, formed during the summer of 2006 looked at the issue of need-based aid, and studied aid programs from several states. They developed recommendations for Idaho that are aligned with the Board's current efforts at increasing graduation requirements. The taskforce recommends a blend of an early commitment model with a shared responsibility model.

<u>Early commitment</u>:
The recommendation of the taskforce was that the early commitment model is essential for Idaho. It is based on the concept that if students and their families commit to do their part, the state would commit to help them successfully complete post high school education or training opportunities. An early commitment model works with students in junior high and/or early high school so that they can see that postsecondary education is possible and make sure that their course taking behavior is aligned with the requirements of both high school graduation and postsecondary institution admission requirements. The early commitment model (very similar to the GEAR UP Idaho model) requires that students and their families participate in activities that prepare them for admission to and success in postsecondary education.

Shared responsibility:
The taskforce also recognized that there are multiple benefits to an educated citizenry. First there is the individual benefit to the student, yet the community and the state also benefit from increases in degree attainment of citizens. The taskforce supports the concept of a shared responsibility model with the student and their family providing the first dollars, the federal government, and institutions also providing financial assistance to academically prepared students, and the state of Idaho providing the last dollars to "close the gap" left by other partners.

DISCUSSION

In the proposed legislation, the legislative intent is to provide financial resources to Idaho students who are economically disadvantaged to close the gap between the estimated cost of attendance at an eligible Idaho institution of higher education, and the expected student and family contribution toward the educational costs.

The purposes of the legislation are to:

- Reduce the number of students who withdraw from high school before graduation;
- Increase the number of students who are academically prepared to enter the workforce upon graduation;
- Increase the number of academically prepared students entering eligible Idaho postsecondary educational institutions;
- Encourage eligible students to attend eligible Idaho postsecondary educational institutions by reducing the financial burden on such students and their families;
- Recognize the individual benefit of education to students and provide an expectation of shared responsibility to finance their postsecondary education;
- Increase individual economic vitality; and
- Recognize that all Idaho citizens benefit from and education citizenry, and therefore to provide funding as "last dollars" to assist with funding the educational costs of participants to improve the overall quality of life for many of Idaho's citizens.

Students will be eligible to apply for the program any time between their first day of their 7th grade year and the last day of their 10th grade year at an accredited Idaho public secondary school.

Students will need to provide evidence of:

- Idaho residency status
- Financial eligibility. Initial criteria will be determined based upon the student/family eligibility for the federal free and reduced lunch program. The proposed legislation may through rule provide additional financial eligibility criteria that would provide an Idaho student who is economically

disadvantaged, but not eligible for the free and reduced lunch program, the opportunity to participate in the opportunity scholarship program.

- Agreement of the student and custodial parent(s) or guardian(s) to:
  - Take the classes necessary to be regularly admitted to an eligible public Idaho postsecondary educational institution;
  - Graduate from an accredited Idaho public school; and
  - Display good citizenship throughout secondary school, as demonstrated by the student's disciplinary record at his or her secondary school, absence of drug and/or alcohol use, and commitment to participate in college readiness activities.
- Application to an eligible Idaho postsecondary educational institution and application for any federal and state student financial assistance available to the eligible student during the student's senior year of high school.

As a postsecondary student the student must:

- Certify in writing that the student has complied with the terms of the participation agreement while in secondary school;
- Graduate from an accredited public secondary school in Idaho;
- Maintain Idaho residency;
- Submit to the State Board of Education all required information and documentation of eligibility and financial need;
- Meet any other minimum criteria established by the State Board of Education in rule;
- Enroll and attend classes as full-time (at least 12 credits/semester) student in an eligible Idaho postsecondary school in the state of Idaho within three years from the individual's graduation from an accredited secondary school in the state of Idaho;
- Reapply each year and must maintain satisfactory academic progress and remain in good standing at the postsecondary institution; and
- Repay award amounts if the student discontinues attendance or becomes ineligible during an academic term.

The opportunity scholarship is renewable for a maximum of 8 semesters or 4 academic years our until baccalaureate degree completion (whichever is less).

The State Board of Education will develop rules to establish criteria for selections of student's financial stipends in the event that there is not sufficient funding to provide financial stipends to all eligible individuals. In such a case, preference shall be given to students with the demonstrated greatest financial need based upon the federal analysis.

Eligible students will be expected to share in the cost of their education and will be required to contribute an amount determined by the State Board of Education. This amount will be based upon the student working up to 20 hours/week during the time schools are in session and full-time during summer breaks.

Students meeting the financial eligibility requirements will likely qualify for the Federal Pell Grant awards. Students will be expected to annually file and use federal grant funding toward the cost of attendance.

State dollars from this program are intended to be "last dollars". The amount of the state scholarship award will not exceed the average cost of tuition at Idaho's four-year public postsecondary educational institutions or the actual tuition at the eligible Idaho postsecondary educational institution the student attends, whichever is less.

After determining eligibility, the funds will be distributed to the institutions on behalf of the student to assure prompt payment, yet eligibility determinations and reporting will be to the Office of the State Board of Education for purposes of data collection, record keeping, and reporting.

The legislation establishes the Opportunity Scholarship account through the state treasury which will allow program funds made through appropriations or donations from private citizens or businesses to earn interest and remain available for future Opportunity Scholarship awards.

OSBE will work with the legislature to determine the appropriate amount of funds to be used for administrative costs related to program management, database implementation, maintenance, and to advertise the program on a statewide basis.

How Idaho Stacks Up

There is a significant gap between what Idaho provides in need-based grant or scholarship aid and the nation. Here's how Idaho stacks up compared to other states in the need based awards per student:

- Idaho: $17
- Washington: $509
- United States Average: $387
- Western States Average: $299

The National MEASURING UP 2006 report shows we have a lot of work to do. Idaho received a "D" for higher education affordability. This is due in large part to the fact that the cost of attendance for one year of postsecondary education for a student takes approximately 1/3 of an Idaho family's annual income. (Note the cost of attendance is tuition, room and board, books, supplies, and transportation).

Invest Now For Long Term Results

The more education a person completes, the higher their earning potential becomes. A recent study showed a person with a bachelor's degree will earn $23,000 more per year than someone with a high school diploma. Higher salaries

mean better lives for Idahoans and more taxable income for the state and less money spent on social services later. There are also quality vocational and technical training opportunities after high school that provide for excellent career opportunities.

Students Can! Can the State?
A committee of financial aid directors, students, parents, K-12 representatives, legislators, and State Board members met for several months to develop a program for Idaho's students. The committee looked at successful state models and areas to address Idaho's unique challenges.

The committee created a draft proposal which focuses on early awareness for students and a shared commitment between the federal government, parents, students, institutions and the state. It is based on the concept that if students and their families commit to do their part, the state would commit to do its part in helping them successfully complete post high school education or training opportunities.

Commit Early
Studies show the earlier students are introduced to higher education, the more likely they are to attend. Idaho's new grant program is designed to provide economically disadvantaged students in middle school and early high school with a guarantee of financial aid for postsecondary education or training if they meet certain requirements. The core requirements are:

- Promise from both the provider and recipient
- Graduation from a high school in the state
- Achievement of a minimum grade point average
- Successful completion of a core curriculum or specific coursework
- Application for admission to a public postsecondary institution in the state
- Submission of a federal and state financial aid application form while the student is in their senior year
- Participation in support activities for students selected to be in the early commitment program.

In both Oklahoma and Indiana, similar programs have proven successful in preparing students to successfully complete high school prepared to enter a postsecondary institution in the state.

Shared Responsibility
Idaho's model believes an individual must value their education as much as the state. Students must understand they have a price to pay too. The state should be the last stop on the financial aid train, not the first. The core requirements are:

- Students must work while in school and during the summers, save, or secure scholarships which will cover the student's portion of the cost of attendance.
- The student is required to apply for federal financial aid, while in high school, and the dollars contributed from the state are the "last dollars" in this model.
- Students must assure that they are putting forth the academic effort necessary to benefit from their education and to continue to receive funds; the student must attend school fulltime, and maintain satisfactory academic progress.
- The Idaho program is intended to dovetail with the new federally funded GEAR UP Idaho program so that more students from around the state will benefit from mentoring, advising and the financial assistance necessary for them to proceed from high school into college and to attain their degree in a timely manner.
- Students are eligible for a maximum of 8 semesters of assistance and will have a total of six years to use the funds.
- This program will supplement other types of financial aid, the family contribution, and students will be encouraged to seek work-study jobs on campus.
- The taskforce has also recommended the establishment of a trust account so that Idahoans and business partners can contribute to the fund. This plan hopes to provide additional incentives to support this program beyond just state appropriations.

IMPACT

The taskforce recommends that the funding source be from state appropriations that can be placed in trust in order to provide need-based scholarships for students who commit in junior high or early high school and complete the requirements of the program. This program will require the ability to carry forward unused funds and for the interest from the funds to be used for this program. The taskforce further recognizes that there should be an avenue for Idaho businesses and individuals to financially support this program through donations to the trust. In order for this to occur, the taskforce recommends legislation that will establish the trust, and look for ways for businesses and individuals to receive tax benefits for their contributions.

The State Board of Education has requested an amount of $10,000,000 for FY 2008 to fund this program. The intent is to have a 'pay forward' approach, where the Legislature would appropriate funds each year beginning in FY 2008, and the first group of high school students would be eligible to receive funds in FY 2011 (school year 2010-2011).

The proposal has been crafted to allow Idaho citizens and businesses to contribute funds into the scholarship fund. There would be a limited tax credit available, parallel to existing tax credits found in Idaho Code 63-3029A. The

actual impact upon state tax collections is unknown, based upon conversations with representatives from the Idaho State Tax Commission and Division of Financial Management.

A continuous appropriation will be requested for this program because the actual payout in any given year may fluctuate, and because the scholarship funds will be deposited in an interest-bearing account with the State Treasurer, so earned interest can be used for additional scholarships.

Program administrative costs will be allowed, as determined by the State Board of Education, but not to exceed 5% of the account balance in any given year.

ATTACHMENTS

Attachment 1 – Proposed legislation Page 9

STAFF COMMENTS AND RECOMMENDATIONS

Staff recommends that the Board support the recommendations of the taskforce and continue to work with key legislators and other stakeholders to implement a need-based grant program for Idaho which will improve the college-going rate and persistence to completion of Idaho's students. The proposed program dovetails with the Board's efforts to prepare students for postsecondary work and career readiness through increased graduation standards. This need-based program provides a financial incentive for Idaho disadvantaged students to prepare for postsecondary education while in high school. It should be noted that this program is focused on encouraging students to enroll in postsecondary education and persist to completion thus minimizing the needs for remediation. This particular program does not address the needs of adult learners or adults returning for retraining. Staff recommends that issues related to financial access of adult learners be addressed through a separate program.

Staff recommends approval of this legislation as submitted.

BOARD ACTION

A motion to approve the legislation for the Opportunity Scholarship Program and to authorize staff to forward the legislation to the Division of Financial Management.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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LEGISLATURE OF THE STATE OF IDAHO

Fifty-ninth Legislature First Regular Session - 2007

IN THE

BILL NO.

BY

AN ACT

RELATING TO

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That title 33, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW CHAPTER, to be known and designated as chapter 56, title 33, Idaho Code, and to read as follows:

CHAPTER 56
OPPORTUNITY SCHOLARSHIP PROGRAM

33-5601. **Short title**. This act shall be known and cited as the "Opportunity Scholarship Act."

33-5602. **Public policy**. It is the intent of the legislature to create a scholarship fund to provide financial resources to Idaho students who are economically disadvantaged to close the gap between the estimated cost of attendance at an eligible Idaho institution of higher education, and the expected student and family contribution toward such educational costs, and to encourage the educational development of such students in eligible Idaho postsecondary educational institutions.

33-5603. **Purposes**. The purposes of this chapter are to:

(1) reduce the number of students who withdraw from high school before graduation;

(2) increase the number of students who are academically prepared to enter the workforce upon graduation;

(3) increase the number of academically prepared students entering eligible Idaho postsecondary educational institutions;

(4) encourage eligible students to attend eligible Idaho postsecondary educational institutions by reducing the financial burden on such students and their families;

(5) recognize the individual benefit of education to students and provide an expectation of shared responsibility to finance their postsecondary education;

(6) increase individual economic vitality; and

(7) recognize that all Idaho citizens benefit from an educated citizenry, and therefore to provide funding as "last dollars" to assist with funding the educational costs of participants to improve the overall quality of life for many of Idaho's citizens.

33-5604. **Definitions**. As used in this chapter:

(1) "Educational costs" means the amount determined annually by the state board of education as necessary for student costs for tuition, fees, room and board, or expenses related to reasonable commuting, books and such other expenses reasonably related to attendance at a public Idaho postsecondary educational institution.

(2) "Eligible Idaho postsecondary educational institution" means a public postsecondary organization governed or supervised by the state board of education, the board of regents of the university of Idaho, a board of trustees of a community college established pursuant to the provisions of section 33-2106, Idaho Code, or the state board for professional-technical education, or any educational organization located in Idaho which is operated privately and not for profit under the control of an independent board and not directly controlled or administered by a public or political subdivision. An eligible Idaho postsecondary educational institution must be accredited by an organization recognized by the state board of education, as provided in section 33-2402, Idaho Code.

(3) "Financial need" means the extent of a person's inability to meet the educational costs of attending an eligible Idaho postsecondary educational institution through a model of shared responsibility,

taking into account the required and expected contributions of such person's parent, family and personal resources, as determined in this chapter or under rules established by the state board of education.

(4) "Opportunity scholarship program" means the scholarship program described in this chapter and in the rules established by the state board of education

33-5605. **Eligible student**. (1) An "eligible student" means a student who meets the following requirements: (a) is a resident of the state of Idaho;

(b) is enrolled in any of grades seven (7) through ten (10) at an accredited Idaho public school; and

(c) meets the financial eligibility criteria described in section 33-5606, Idaho code.

(2) An eligible student, and his or her custodial parent(s) or guardian(s), may participate in the opportunity scholarship program by entering into a participation agreement with the state board of education. In that participation agreement the eligible student must pledge in writing, together with the student's custodial parent(s) or guardian(s), that he or she will: (a) take the classes necessary to be regularly admitted to an eligible public Idaho postsecondary educational institution;

(b) graduate from an accredited Idaho public school, and

(c) display good citizenship throughout secondary school, as demonstrated by the student's disciplinary record at his or her secondary school, absence of drug and/or alcohol use, and commitment to participation in college readiness activities.

33-5606. **Financial eligibility**. An Idaho student who is eligible for free or reduced price lunches under the national school lunch program shall be eligible to participate in the opportunity scholarship program. The state board of education may establish through rule additional financial eligibility criteria that would permit an Idaho student who is economically disadvantaged, but not eligible for free or reduced price lunches under the national school lunch program, to participate in the opportunity scholarship program.

33-5607. **Application procedure – renewals.** (1) As used in this chapter, "scholarship applicant" means a student who meets the following requirements: (a) was an eligible student under section 33-5605, Idaho Code;

(b) is a resident of Idaho;

(c) will graduate from an accredited public secondary school located in Idaho;

(d) has applied to, and has been accepted to attend, an eligible Idaho postsecondary educational institution; and

(e) certifies in writing that he or she has complied with the terms of the participation agreement entered into under this chapter, the requirements of this chapter, and the rules established by the state board of education relating to the opportunity scholarship program.

(2) A scholarship applicant must, when the eligible student is in his or her last year of secondary school, apply to an eligible Idaho postsecondary educational institution for admission, and also apply for any federal and state student financial assistance available to the eligible student to attend an eligible Idaho postsecondary educational institution.

(3) To initially qualify for a scholarship, a scholarship applicant must (a) enroll as a full-time student in an eligible Idaho postsecondary educational institution within three years from the individual's graduation from an accredited secondary school in the state of Idaho;

(b) submit to the state board of education all of the information and documentation required to demonstrate his or her financial need under this chapter, and any other information and documentation the state board of education requires to determine the applicant's eligibility for a scholarship under this chapter; and

(c) meet any other minimum criteria established by the state board of education in rule.

(4) A scholarship applicant shall certify in writing that the student has complied with the terms of the participation agreement entered into under this chapter, the requirements of this chapter, and the rules established by the state board of education relating to the opportunity scholarship program.

(5) To continue to receive a scholarship, the scholarship recipient must apply for renewal each year. A scholarship recipient must: (a) submit to the state board of education a renewal application;

(b) continue to comply with the participation agreement entered into under this chapter, the requirements of this chapter, and the rules established by the state board of education; and

(c) continue to be a student in good standing at an eligible Idaho postsecondary educational institution.

33-5608. **Amount of awards – conditions.** (1) Funds that are available for the opportunity scholarship program shall be used to provide annual scholarships based on a sharing of responsibility between the scholarship recipient and his or her family, the federal government, and the participating eligible Idaho postsecondary educational institution the recipient attends for covering the educational costs for attendance, as determined by the state board of education, at an eligible public Idaho postsecondary educational institution. The amount of a financial stipend to a scholarship recipient per educational year for attendance on a full-time basis must not exceed the recognized educational costs, after deducting the following: (a) the assigned student/family responsibility, in an amount to be determined annually by the state board of education; and

(b) the amount of any other public or private scholarships or grants which the applicant receives.

(2) The state award will not exceed the average cost of tuition at Idaho's four-year public postsecondary education institutions, or the actual tuition at the eligible Idaho postsecondary educational institution the student attends, whichever is less.

(3) Each scholarship awarded under this chapter is renewable in accordance with section 33-5607(5), Idaho Code, for a total scholarship award that does not exceed the equivalent of eight (8) semesters, ~~or~~ the equivalent of four (4) academic years, or baccalaureate degree completion. An eligible Idaho postsecondary educational institution participating in this program shall be required to submit statements of continuing student eligibility to the state board of education, which shall include verification that the student is still enrolled, attending full time, maintaining satisfactory academic progress, and has not exceeded the award eligibility terms.

(4) Grant payments shall correspond to academic terms, semesters, quarters or equivalent time periods at an eligible Idaho postsecondary educational institution. In no instance may the entire amount of a grant for an educational year be paid to or on behalf of such student in advance.

(5) If an eligible student, scholarship applicant, or scholarship recipient violates the participation agreement entered into under this chapter, or is otherwise ineligible to participate in the opportunity scholarship program under this chapter or the rules established by the state board of education, then the eligible student, scholarship applicant, or scholarship recipient shall be disqualified from further consideration as a scholarship recipient under this chapter.

(6) If a student violates the terms of the participation agreement, becomes ineligible for a scholarship under this chapter, or if a student discontinues attendance before the end of any semester, quarter, term, or equivalent, covered by the grant after receiving payment under this chapter, the eligible Idaho postsecondary educational institution shall remit, up to the amount of any payments made under this grant, any prorated tuition, fees or room and board balances to the state board of education. The student shall be required to remit, up to the amount of any other reasonable grant balances, such grant balances to the state board of education. In the event of extreme hardship as determined by the state board of education, a student may request waiver of remittance.

(7) The state board of education shall, in rule, establish criteria for selection of students for financial stipends in the event that there is not sufficient funding to provide financial stipends to all individuals who are eligible. Such criteria shall give preference to those individuals who have demonstrated the greatest financial need based on federal need analysis.

33-5609. **Opportunity scholarship program account**. (1) There is hereby created an account in the state treasury to be designated the "opportunity scholarship program account."

(2) The account shall consist of moneys appropriated to the account by the legislature, and moneys contributed to the account from other sources. The executive director of the state board of education may receive on behalf of the board any moneys or real or personal property donated, bequeathed, devised or conditionally granted to the board for purposes of providing funding for such account. Moneys received directly or derived from the sale of such property shall be deposited by the state treasurer in the account.

(3) Moneys in the account may be used by the state board of education to implement the Opportunity Scholarship Act, title 33, chapter 56, Idaho Code.

(4) All moneys placed in the account are hereby perpetually appropriated to the state board of education for the purposes described in subsection (3) of this section. All expenditures from the account shall be paid out in warrants drawn by the state controller upon presentation of the proper vouchers.

(5) Up to ___% of the account balance may be used by the state board of education annually for administrative costs related to the implementation of the provisions of title 33, chapter 56, Idaho Code.

(6) Allowable administrative costs include, but are not limited to, operating expenses for the implementation and maintenance of a database, operating expenses to administer the program, personnel costs necessary to administer the program, and costs related to promote awareness of the program.

(7) Pending use, surplus moneys in the account shall be invested by the state treasurer in the same manner as provided under section 67-1210, Idaho Code. Interest earned on the investments shall be returned to the account.

33-5610. **State board of education as administrative agency**. (1) The opportunity scholarship program shall be administered by the state board of education.

(2) The state board of education shall maintain the following: (a) the participation agreements under section 33-5605(2), Idaho Code;

(b) the certifications under section 33-5607(4), Idaho Code; and

(c) a comprehensive list of all eligible students under this chapter.

(3) The state board of education shall adopt rules to implement this chapter including: (1) rules relating to application forms, processes, and deadlines; and (2) rules regarding the establishment of appeals procedures for individuals who become disqualified from the opportunity scholarship program.

SECTION 2. That section 63-3029A, Idaho Code, be, and the same is hereby amended by the addition thereto, and to read as follows:

Idaho Code 63-3029A. INCOME TAX CREDIT FOR CHARITABLE CONTRIBUTIONS -- LIMITATION. At the election of the taxpayer, there shall be allowed, subject to the applicable limitations provided herein, as a credit against the income tax imposed by chapter 30, title 63, Idaho Code, an amount equal to fifty percent (50%) of the aggregate amount of charitable contributions made by such taxpayer during the year to a nonprofit corporation, fund, foundation, trust, or association organized and operated exclusively for the benefit of institutions of higher learning located within the state of Idaho, including a university related research park, to nonprofit private or public institutions of elementary, secondary, or higher education or their foundations located within the state of Idaho, <u>including the state account established for the Idaho opportunity scholarship program</u>, to Idaho education public broadcast system foundations within the state of Idaho, to the Idaho state historical society or its foundation, to the Idaho commission for libraries and to public libraries or their foundations and library districts or their foundations located within the state of Idaho, and to nonprofit public or private museums or their foundations located within the state of Idaho.

SUBJECT

High Need Educator Loan Forgiveness Legislation

REFERENCE

November 30 – December 1, 2006 Discussion of proposed legislation.

APPLICABLE STATUTE, RULE, OR POLICY

N/A

BACKGROUND

Idaho school districts often have difficulty in recruiting and retaining educators in "high need" geographic and/or fields. The rural nature of the state and the differences in the numbers of students that each district serves often make it difficult for smaller, remote or rural districts to recruit teachers. School districts with high percentages of special populations such as special education, Title I and Limited English Proficiency (LEP) students also experience difficulty filling positions. In addition, certain fields may experience a shortage of available teachers. Idaho currently has an Education Incentive Loan Forgiveness program designed to encourage individuals to pursue a teaching career. It is an in-school program which provides loans to students while in school. The loans are forgiven once the student meets the teaching requirements. The existing loan forgiveness program is beneficial to the selected individual recipients and ultimately it is beneficial to Idaho schools, yet it does not assist in meeting the immediate needs faced by Idaho school districts. The proposed new High Need Teacher Loan Forgiveness program is aimed at placing educators in certain high-need content or geographic areas through a much quicker process, and allowing the state of Idaho to determine on an annual basis the "high need" fields so that resources and recruiting efforts can be aimed at these specific fields.

DISCUSSION

The intent of the legislation is to provide a loan forgiveness program in which funds will be used to forgive the qualified educational loans of individuals who work in Idaho as "high need" educators. The issue of "high need" is made even more severe due to the federal government's No Child Left Behind legislation, which requires school districts to hire "highly qualified" teachers. Often, "high need" educators are also in rural school districts which already are challenged to hire the requisite "highly qualified" teachers. Thus, the proposed loan forgiveness program helps doubly by helping rural school districts meet the "highly qualified" criterion as well.

Qualifying content fields will be determined annually by the State Board of Education (SBOE) in communication with the State Department of Education (SDE). The SDE publishes an annual report on educator supply and demand in Idaho. That report identifies the number of applicants for particular positions and identifies the areas of greatest educator shortage. This document will be used to assist in determining the "high need" fields for the next succeeding years.

Individuals certified in a "high need' field in this state with outstanding qualifying educational loans will be eligible to apply annually to participate in this loan forgiveness program.

Qualified educational loans include:

- student loans under the Stafford Federal Family Education Loan Programs (FFEL) which may include: Direct loans, FFEL Lender loans, or Graduate Student PLUS loans;
- federal Perkins loans;
- or privately funded educational loans processed through institutions of higher education.

Loans must be for the purpose of defraying costs associated with obtaining a baccalaureate degree for an initial teaching certificate, or in the case of an existing educator, to recertify in a critical shortage subject area.

Qualified individuals will apply annually to the Office of the State Board of Education. Individuals must serve at least half-time in a "high need" field in a public school in the state for a full school year. Distributions of funds from this program will be paid upon the successful completion of each year of eligible service. The payments will be made directly to the lending institution. Recipients are required to make their monthly loan payments during their service year and must agree to not default on any educational loans. For the last year of service, the recipient educator will be reimbursed for the amount the educator paid during the year for their loan amount.

Amount of the Loan Forgiveness shall not be more than $20,000 for a five year period, and the amount of yearly funding will be set annually by the Board and is not to exceed ($5,000). If a recipient is serving in an approved "high need" field and during the course meeting the service requirements the "high need" field changes, the recipient will continue to be eligible for loan forgiveness as long as other eligibility requirements are met.

In the event there is not sufficient funding to provide financial stipends to all eligible educators, such criteria shall include a preference for applications that are received earliest in time at the Office of the State Board of Education during an application period.

This program will be null, void and of no force and effect on and after July 1, 2013 unless extended by the legislature.

IMPACT

In the first year, the proposal would allow 100 eligible educators to receive up to $5,000 per year (up to a total of $20,000 per educator) to repay qualified educational loans. It is anticipated that 100 additional eligible educators would be added in years two through five, for a total of 500 educators.

The first year cost would be $500,000, increasing by $500,000 for each additional year, for a total of $2.5 million in year five.

It is the intention of the sponsor that annual appropriations for this program include carryover authority to allow for use in subsequent fiscal years.

A specific appropriation for this program will be requested during the 2007 legislative session if the enabling statute is approved by the House and Senate.

ATTACHMENTS

Attachment 1 – Statistical Information on Educational Positions in Idaho from SDE Page 5
Attachment 2 – Draft of the proposed legislation Page 7

STAFF COMMENTS AND RECOMMENDATIONS

This program would be considered an "on-the job" loan forgiveness program. The design of this program provides a mechanism to quickly respond and to recruit educators to "high need" areas. The program design allows for the Board to reassess "high need" fields annually. Educators can be placed in classrooms promptly. The state only pays following eligible service and therefore can fully benefit from the loan forgiveness programs. The program design eliminates the need for the state to become the grantor of loans and allows for program funds to go directly to program costs.

Staff recommends approval of this legislation as submitted.

BOARD ACTION

A motion to approve the legislation for High Need Educator Loan Forgiveness and to authorize staff to forward the legislation to the Division of Financial Management.

Moved by _____ Seconded by _____ Carried Yes _____ No _____

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8 Positions with the Least # of Applications per Vacancy

Subject Area	Number of Applicants	Number of Vacancies	Avg # of Applicants per Position
Speech/Language Pathology	49	39	1.26
Agriculture Science & Tech	25	16	1.56
School Nurse	33	17	1.94
Reading	102	45	2.27
Standard Exceptional Child	514	223	2.30
Technology Education (industrial arts)	73	28	2.61
Educational Media Generalist	38	12	3.17
School Psychologist	77	22	3.50

10 Positions Most Difficult to Fill

Position	# of districts rating a #1 or a #2 (hard to fill or very hard to fill	# of districts reporting a vacancy in this job area	Percent rank
Spch Pathologist	16	17	94%
Early Child-Spec Ed	14	20	70%
Schl Psychologist	11	16	69%
Music	16	25	64%
Spec Ed Teacher	30	47	64%
Foreign Language	15	25	60%
Ag Science Tech	7	12	58%
Speech/Drama	7	12	58%
Family Cons Sci	9	17	53%

Positions Rated Most Difficult to Fill (1999-2005)

Rank	2001-02	2002-03	2003-04	2004-05	2005-06
1	Speech Path.	Music	EC-ECSE	Special Ed	Special Ed
2	Special Ed	ESL	Tech Ed.	Math	Math
3	Tech Ed	EC-ECSE	Speech Path	Music	English
4	EC-ECSE	Speech Path	Special Ed	ESL	Music
5	Music	Special Ed	ESL	Foreign Lang	Speech Path
6	School Psych	Tech Ed	Music	EC-ECSE	Foreign Lang
7	Fam/Cons Sci	Foreign Lang	Foreign Lang	Counselor	ESL
8	Foreign Lang	Biology	Counselor	English	Counselor
9	Math	School Psych	Math	Speech Path	Schl Psych
10	Counselor	Business Ed	English	Spch/Drama	Principal

Educator Supply and Demand in Idaho, 20th Annual Report, State Department of Education

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LEGISLATURE OF THE STATE OF IDAHO

Fifty-ninth Legislature First Regular Session - 2007

IN THE

BILL NO.

BY

AN ACT

RELATING TO

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That chapter 12, title 33, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW SECTION, to be known and designated as section 33-1281, Idaho Code, and to read as follows:

33-1281. **"High need" educator forgivable loan program.** (1) It is hereby declared that it is in the public interest to encourage and assist individuals to pursue a career as an educator in a "high need" field within the state of Idaho. It is the intent of the legislature to create a loan forgiveness program in which funds shall be used to forgive the qualified educational loans of individuals who work in this state as "high need" educators.

(2) The state board of education shall determine annually the educator fields that shall be considered "high need" under this statute. The state board of education shall consider those educator fields that have been identified as most difficult to fill in the annual report provided by the state superintendent of public instruction. This determination shall be made by the state board of education by resolution at any regular or special meeting, and shall specify the educator fields that shall be considered "high need" for the next succeeding school year.

(3) Any individual who is certified to serve in a "high need" field in this state is eligible to apply to participate in this loan forgiveness program. Qualified educational loans eligible for forgiveness include student loans under the Stafford Federal Family Education Loan Programs (FFEL) (which may include Direct loans, FFEL Lender loans or Graduate Student PLUS loans), federal Perkins loans or privately funded educational loans processed through institutions of higher education for the purpose of defraying costs associated with obtaining a baccalaureate degree for an initial certificate, or in the case of an existing educator, to recertify in a critical shortage subject area. An educator must apply to the state board of education for participation in this loan forgiveness program annually. Selection of educators for loan forgiveness stipends shall be based on available funding, and such additional criteria as may be established in rule by the state board of education. In the event that there is not sufficient funding to provide financial stipends to all eligible educators, such criteria shall include a preference for applications that are received earliest in time at the state board of education during an application period.

(4) To be eligible for a financial stipend under this forgivable loan program, an educator must agree to serve at least half-time in a "high need" field in a public school in this state for a full school year. Service in a "high need" field must occur during the school year for which such designation is made. An educator who fulfills this commitment in a "high need" field shall be eligible for loan forgiveness. The amount of loan forgiveness payments available to an individual educator who fulfills this service requirement shall be established annually by the state board of education, based on available funding for this forgivable loan program, and shall not exceed 20% of the outstanding qualified loan up to five thousand dollars ($5,000) per educator for service during any one school year, or exceed a maximum amount of twenty thousand dollars ($20,000) per educator for service during any consecutive five (5) year period. To be eligible to participate in this loan forgiveness program an educator shall not be in default on any educational loans, and during each service year must verify that he or she has made all required contractual educational loan payments.

(5) The "high need" educator loan forgiveness program will be administered by the state board of education, which shall determine the eligibility for loan forgiveness for applicants. The state board of

education shall adopt rules to implement this chapter, including rules relating to application forms, processes, loan forgiveness payments, and deadlines.

(6) Unless extended by the legislature, this act shall be null, void and of no force and effect on and after July 1, 2013.

A. SUBJECT:

Appointment of Trustees for Newly Formed School Districts in Idaho and Adams Counties

BACKGROUND:

Grangeville Joint School District No. 241 has recently been divided and the creation of two new school districts has been approved by the State Board of Education.

The State Board of Education has the responsibility to appoint school board trustees for each new district until such time as trustees can be elected by the patrons of each district in May of 2007.

DISCUSSION:

Grangeville Jt. School District No. 241 advertised in the local area papers soliciting applications for trustees for the two new districts. They received the applications, verified the applicants' eligibility to serve, and forwarded the applications to the State Department of Education.

The State Department of Education received at least one nomination for each zone in both of the new school districts. In Joint School District No. 243, the following number of nominations were received: Zone 1, 4; Zone 2, 4; Zone 3, 3; Zone 4, 1; Zone 5, 3. In School District No. 244 the number of nominations by zone were: Zone 1, 2; Zone 2, 2; Zone 3, 3; Zone 4, 1; Zone 5, 1. A list of applicants is attached.

The State Department of Education, with assistance from past presidents of both the Idaho School Boards Association and the Idaho Association of School Administrators, has reviewed the applications and has submitted its recommendations. The application letters of those recommended are attached.

RECOMMENDATION:

The State Department of Education recommends the following individuals be appointed as school board trustees representing their zone for their respective district.

Joint School District No. 243, Idaho and Adams Counties

Zone 1: Joyce Stapleton
Zone 2: William Carter
Zone 3: Carolyn Friend
Zone 4: Cindy Carlson
Zone 5: Richard Friend

School District No. 244, Idaho County

Zone 1: Bobbi Bodine
Zone 2: Susie Borowicz
Zone 3: Craig Spencer
Zone 4: Roberta Joy Lee
Zone 5: Ray Stowers

BOARD ACTION:

It was moved by _____, seconded by_____, and carried to approve/disapprove the State Department of Education's recommendations for trustee appointments.

ATTACHMENTS:

1. List of Trustee Nominations
2. Application Letters for Recommended Nominees

List of Persons Submitting Applications for Trustee Positions in Newly Created School Districts 243 and 244

Joint School District No. 243, Idaho and Adams Counties

Zone 1: Joyce Stapleton

Zone 2: William Carter
Tonya Ormsby
James Updegrove
Kim Zolman

Zone 3: Carolyn Friend
Jeanette Klobetanz
Kim Olson

Zone 4: Cindy Carlson

Zone 5: Richard Friend
Kim Hawks
Heidi Mead

School District No. 244, Idaho County

Zone 1: Bobbi Bodine
Ed Jacoby

Zone 2: Susie Borowicz
Carl Crabtree

Zone 3: Carol Cooper
Mary Schmidt
Craig Spencer

Zone 4: Roberta Joy Lee

Zone 5: Ray Stowers

Joint School District No. 243

Trustee Recommendations

December 7, 2006

Timothy O'Connor, Clerk
Joint School District No. 241
714 Jefferson
Grangeville, ID 83530

Attn: Idaho State Board of Education

RE: Board Member for Joint School District No. 243

Please accept this letter as my application to serve as the trustee from Zone 1 on the Joint School District No. 243 School Board.

I am presently serving as the trustee from Zone 5 on the Joint School District No. 241 School Board. Prior to deconsolidation, zone 5 covered the newly formed Joint School District No. 243, primarily Riggins and surrounding communities. My home address is 803 N. McArthur, Riggins, Idaho, which is in the boundary lines of the newly formed zone 1 in Joint School District No. 243.

I feel it is extremely important that continuity between the interim board and the new board be maintained. I have been involved in the deconsolidation process since it was first brought before the board and the adoption of the final division plan. I attended the State Board of Education meeting when the plan was presented and approved. During the hearing on the division plan I agreed to continue serving as a trustee on the new board.

I am very committed to working toward a solid and thorough education for our children. As a retired school business manager/clerk/treasurer from Nezperce Jt. School District, which is approximately the same size as the new district in the Riggins area, I feel my work experience and knowledge of working with people in a small school district will bring a valuable resource to the newly formed board.

Thank you for your time and effort in helping us make the deconsolidation process a smooth transition.

Sincerely,

Joyce Stapleton

Eva Joyce Stapleton
803 N. McArthur
P.O. Box 1246
Riggins, ID 83549

WILLIAM A. CARTER
P.O. BOX 1301
RIGGINS, IDAHO 83549
(208) 628-3247

December 6, 2006

State Board of Education
650 West State Street
Boise, Id 83720

Dear Board Members:

This is to seek appointment as the board representative of Zone 2 of the newly created Riggins Joint School District No. 243.

My current mailing address is: P. O. Box 1301, Riggins, Idaho 83549. The best physical address reference is 36 Pollock Road. The parcel number assigned by the County Assessor is : 23N01E058730 (T23N R1E SEC 5).

I seek this position to assist in organizing, staffing and implementing procedures to govern the newly created School District to best serve the educational needs of students in the Riggins Area.

I am currently co-owner of a business we have operated at the present location for some 29 years. I served on the School Board of Joint School District 241 for two terms representing patrons of Zone 5 thereof. I have served several years as Chairman, Board of Directors of the Salmon River Rural Fire Department. Prior to moving to Riggins in 1977 I worked a period of 18 years as a Research Associate and Senior Research Associate for the Citizens Research Council of Michigan specializing in the review of the operations of local governmental units in Michigan and recommending improvements therein. This involved reviewing organizational arrangements, financial and other administrative operations of county, city, village, township, and school districts within Michigan. The last two years in Michigan were spent in the Office of the Budget Director of the Detroit Public School System as requested by the State Legislature for the purpose of assisting the District in improving budget procedures in order to avoid continuing deficits.

I am a graduate of Idaho State University and Wayne State University having majored in Political Science and Public Administration.

Sincerely,

William A Carter

December 11, 2006

Carolyn Friend
P.O. Box 429
304 Berger Street.
Riggins, ID 83549
Zone #3

To Whom It May Concern:

I am submitting this application to be a member of the Board of Trustees.

I am a native of Riggins, Idaho. I moved my family back in 1978 to continue my children's education in a smaller school. I am now getting ready to watch my Grandchildren enter the school system.

I have served as the President of the Chamber of Commerce for three years, have held the office of treasurer for the past 11 years, and held a seat on the City Council for four years. With this experience I feel I will be able to make qualified decisions in regards to the newly established District 243.

I am the Owner Broker of Blevins Agency Real Estate. I have established very strong ties to the community, and know how important schools are to the economic stability of the town.

Please consider me for the position.

Respectfully,

Carolyn Friend
628-3427 Home
628-3441 Work
cfriend@ctcweb.net.

Cindy Carlson
P.O. Box 250
9 miles E. Salmon River Rd.
Riggins, ID 83549
208-628-3515

December 10, 2006

Joint School District #241
Tim O'Connor, Clerk
714 Jefferson St.
Orangeville, ID 83530

RE: Letter of Application, School District #243

Dear Tim:

This letter represents my application for School Board Member of School District #243. I reside in Zone 4 of this district. I have a great desire to be involved in the education opportunities of this new district. I would love to have the chance to serve on the new board for this school district. It will be exciting and challenging at the same time. I have been very involved in the deconsolidation process and have always supported the idea. I would like to "put my money where my mouth is" and serve on this new board. I realize that we have a challenge ahead of us and that initially it will be very time consuming. I am in the process of making arrangements in my schedule and personal life to accommodate this position if awarded to me. I served on the School Board of District #241 from June of 1998 to November of 2000. I am aware of the commitment to the job.

My husband, Guy and I have been raising kids for 22 1/2 years. We have four very active and successful children. We still have one son at home attending Salmon River High School. We enjoy being involved in their lives and those of their friends. Some of their friends and parents have become great lifetime friends.

What qualifies me for the job? Guy and I currently own two businesses which we have built from the ground up for the last 20 years. Business ownership has given me a lot of necessary experience for a school board position. I know how to run a successful business and how to restructure one that is unsuccessful. I have home schooled all four of our children at onetime or another. I have to say that I loved almost every minute of it. This experience gave me a great admiration for teachers that are able earn the respect of their students. Finally, at the age of 42 I have realized that one of my passions is for kids. Maybe I should have chosen teaching as a profession. Last year, I served as Treasurer of the Salmon River Booster Club which raised $60,000 to fund extra-curricular activities at Salmon River High School after a failed levy. The Booster Club is still very active and involved in supporting our schools.

In conclusion, I have been involved in the deconsolidation process and would like the opportunity to make this community a desirable place to raise kids and get a great education. This community has wanted local control of their school board and now we have it. Let's get to work!

If you have any questions, please feel free to call me at 628-3515 home or 628-3037 work.

Sincerely,

Cindy Carlson

TO: **Joint School District No. 241**
714 Jefferson
Grangeville, ID 83530

FROM: **Richard A. Friend (Current Address)**
HC 2 Box 502
Pollock, ID 83547
208-628-3095

RE: **Letter of application to serve as member of Board of Trustees for new School District 243—Riggins Representing ZONE 5**

My name is Richard A. Friend. I was raised in the Riggins area, attended Riggins Elementary and graduated from Salmon River High School in 1988. After completing 3 years at Boise State University, I started my own construction business and have been in business for myself ever since. Over the years, I have always come home on vacations and weekends enjoying the various recreational activities that the Riggins area has to offer. In 1998, I married my wife, Kim, who is also a Salmon River High grad (1990—graduated from U of I with the Shearer Scholarship in '95), then we had a son in 2002. After the birth of our son, we knew we had to get home. So, in the Spring of 2004, we moved back to the Riggins area and now own and operate River Adventures, Inc.—a successful outfitting company that has been in business for over 25 years.

I give this history of myself so you can see that Riggins was where we were raised and now, where we want to raise our children. Our business is our dream come true and we will retire here doing what we love and living on this river. Both my wife and I are involved with the school in many ways, supporting them however we can. My wife currently is the assistant volleyball coach and we both

volunteer and donate to the Salmon River Booster Club. We also are very active in the Lewis-Clark Early Childhood program here in Riggins.

I feel that with my roots being firmly planted here in this canyon and my business expertise, I can be of great service to our new School Board. I am very much in favor of this change and feel that as an independent district, we can do much more to benefit our children. I feel strongly that I can help lead our board to make intelligent decisions that will strengthen our new district so that it can be one of the top districts in the state.

Please consider me for this important position. I would consider it an honor to serve my community in this way.

Thank you,

Richard A. Friend

School District No. 244

Trustee Recommendations

Timothy O'Connor, Clerk
Joint School District #241
714 Jefferson St.
Grangeville ID 83530

State Dept. of Education
650 W. State St
PO Box 83720
Boise, ID 83720-0027

State Board of Education
650 W State St
PO Box 83720
Boise, ID 83720-0037

1242 Old Highway 7
Grangeville ID 83530
December 10, 2006

To Whom It May Concern:

The purpose of this letter is twofold: 1. To enter my name for consideration in the appointment of the Interim Board of Trustees for Idaho School District #244 (based in Grangeville); and 2. To advocate for appointment of current Joint School District #241 board members to serve on the Interim Boards of both new school districts.

It is my interest to be appointed to serve on the Interim Board of District #244. I am a registered voter living in zone 1 of that school district. I am presently in the second year of my fourth term on the Board of Joint School District #241, and I currently serve as chair. Besides myself, current 241 board members who are eligible to serve on the Interim 244 (Grangeville) Board, consist of one member who has served 20 years, one member who has served since June of this year, and one who has served since August of this year. For the sake of providing consistency and background knowledge to the board of new District 244, it is my desire to continue to serve during the transition between the time of appointment and the time the new elected board takes over governance on July 1, 2007.

This is a crucial time for both new districts. Immediately after appointment, both boards will begin developing the 2007-2008 budget and making decisions regarding going to the voters for supplemental levies. Contract negotiations with the Central Idaho Education Association will begin in earnest with the hopes of having contract agreements by the end of the current school year. Policies committees which have been ongoing in district #241 will now need to continue in both new districts, hopefully without losing the valuable progress which has already been made. The continuity of these efforts will depend on representation by board members who have been involved as District 241 Trustees.

The Joint School District #241 Board of Trustees is made up of five people who have been dedicated to the needs of all the children in all our schools in all our communities. Any current 241 board member who applies for appointment to their respective new district interim boards, would be an asset, and the benefit to both districts would be the continuity of governance and the knowledge base that has been developed during their service.

In particular, because there is only one current District 241 board member who is eligible to serve on the new District 243 board, I will take this opportunity to express how important it is that Joyce Barnard be appointed to the Interim Board of Trustees for Joint School District # 243. Joyce has 2 ½ years' experience on the board of Joint School District #241 and has an extensive background in school finance. She has been a true advocate for the students in our school district. Her continued service to the students in the Riggins schools would help immensely with the transition to being a stand-alone district.

Thank you for your consideration in selecting board members in both new school districts.

Sincerely,

Bobbi Bodine

Bobbi Bodine

December 14, 2006

Tim O'Conner, Clerk
Joint School District #241
714 Jefferson
Grangeville, Idaho 83530

Dear Members of the State Board of Education,

It is my understanding that you are taking names of interested patrons willing to serve the on the newly created school board for School District #244 based in Grangeville, Idaho. I would like you to add my name to that list, please, to represent Zone #2.

I am currently serving as a trustee for Zone 2 for Joint School District #241. I feel a strong connection to Joint School District #241 as I have served as an Elk City School teacher and principal. I bring with me over 30 years of experience in the field of education. I am excited about the possibilities that lie ahead in the coming years for our newly created district and its children. I would like to be part of the group that determines the direction our new district will take. The potential here is dynamic!

I have worked collaboratively and cooperatively in other groups having previously served on the Craig-Wyden North Central Idaho Resource Advisory Committee, North Idaho BLM Resource Advisory Committee, Syringa Hospital Foundation Board, as co-chairman of "Save Elk City" and as project coordinator for Idaho's 2003 Capitol Holiday Tree. But my love of children and my vision for their future remains the driving force behind my desire to join and help create this new district.

I will be looking forward to hearing from you. Thank you for giving me this opportunity to apply for this trustee position

Sincerely,

Susie Borowicz

Susie Borowicz
Box 259
Elk City, Idaho 83525
Email: borowicz@camasnet.com
Phone: (208) 842-2219 Elk City
(208) 507-1282 Grangeville

SPENCER RANCH INC.
Commercial Herefords-- Quarter Horses
1627 Mountain View Road
Grangeville, ID 83530
Craig L. and Jane Spencer
Phone (208) 983-2254
Fax (208) 983-0867

Application for Zone #3, District 244 Dec. 11, 2006

To Whom It May Concern:

This is an application for Trustee of the School Board for the new District 244 for the period of January to July, 2007.

My name is Craig Spencer. I have lived in Grangeville all my life except while in college. I graduated from Grangeville High School and the University of Idaho. I settled in Grangeville, eventually inheriting our family cattle ranch with my wife, Jane. We raised our family in this community and in these schools Our younger son just graduated from the UI. Jane is a UI Law graduate, working in Grangeville, and our older son is a student at Seattle U Law School.

I have served over 20 years on the District 241 Board, 10 years as chairman. We have excellent schools in our district. Our enrollment is declining but academically we are strong. Currently we have schools in 5 different diverse communities and it has been a challenge to provide quality education in all areas. Our students score above most in the state even though our per capita income is low. We stay technologically advanced to benefit our isolated circumstance.

The main duties of a Trustee are to hire excellent employees to teach in our classrooms and to administer our schools and to wisely spend and distribute our funds. My experience in these endeavors would be valuable to this newly formed district. For example, I have personally been involved in hiring 17 different principals and one superintendent and I know what to look for when hiring administrators. I have worked successfully with our teachers to provide above average benefits for our employees in an effort to attract and retain a quality teaching staff. I am very proud of our staff.

We were able to pass several plant facility levies that have updated and upgraded our physical plants. Our school buildings are in excellent shape. My knowledge of our physical plants would be valuable to our new district.

I am an advocate of rigorous academic education. I promote advanced classes for academically gifted students. I played saxophone most of my life and promote music and arts in education. As an agricultural worker, I also promote vocational education. I search for excellence in teaching. Jane and I have voluntarily taught math and reading in the lower grades and Jane is teaching character to 1st graders now. We are active in the high school activity Boosters and in the music program promotional group.

Please contact me if I can answer any questions you might have about this application.

Thank you for your consideration,

Craig Spencer

Craig L Spencer

Joint Dist. #241
Grangeville, ID 83530

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NAME: Roberta Joy Lee
ADDRESS: (Physical) 403 Stuart Drive
(Mailing) P. O Box 431
Kooskia, ID 83539-0431
ZONE: ~~Zone 2~~ Zone 4

As I am already a member of the Board of Trustees of Joint Dist. #241, I am submitting my application to continue on serving Zone 2 in Joint Dist. # 244. As a former Mayor of Kooskia, the Chairman of the Kooskia Revitalization Committee (13 years), Manager of the Kooskia Chamber of Commerce office and holding offices in various organizations in town, I feel that I am qualified to be a valuable asset to the board of trustees.

I wish to have my application submitted for final vote. Thank you for your consideration

Roberta Joy Lee

1153 Deer Creek Road
White Bird, Idaho
December 14, 2006

School District #241
Tim O'Connor, Clerk
714 Jefferson
Grangeville, Idaho

To Whom it May Concern:

My name is Ray Stowers, and I would like to be a member of the Board of Trustees for School District #244, as a representative from zone five. I believe education of our youth is very important, and I would be willing to help direct that process in our communities.

I am 41 years old and operate our family cattle ranch, out of White Bird, together with my wife, Molly, of 21 years, and our two sons, Tyson, 18, and Tate, 13. My wife and I both attended and graduated from schools in District 241, received the local Shearer Scholarships, and went on to graduate from the University of Idaho. Molly attended Elk City and Clearwater Valley schools, and I got my education from Salmon River, in Riggins. Our younger son began his schooling in White Bird and now attends Grangeville Elementary and Middle School. Our older son graduated from Grangeville High School in 2006, and is now a college student. My father, Ray, retired as a shop teacher from Salmon River High School, and both of my wife's parents, Larry and Mary McPherson, retired as teachers from Clearwater Valley Elementary in Kooskia. These connections and experiences throughout the district add to my understanding of how a school district is operated and add to my appreciation and understanding of the needs of the different communities. I feel that it will be very important to have a representative from the southernmost part of the new District # 244 on the Board of Trustees and that I would be an asset as that representative.

Operating our cattle ranch gives me valuable experiences in budgeting limited resources of time and money, and planning the expenditures of both to cover basic needs, maintenance of ranch facilities, and unexpected circumstances, which seem to come along all too often. It takes a tremendous amount of hard work just to survive in this business, and doesn't pay very well in the best of times. However, I wouldn't think of trading places with anyone in any other occupation. My life is very rewarding in ways which have nothing to do with money, and I appreciate it every day. I do believe that my experiences would be very helpful if I am appointed as a member of the school board. I am very level headed and able to make important decisions which will have lasting effects, on the spur of the moment. I am willing and able to dedicate time and effort to being a member of the Board of Trustees for School District #244, from zone five. Please give my application your consideration.

Sincerely,

Ray Stowers