

MEETING SUMMARY

MONTANA HIGHER EDUCATION STUDENT ASSISTANCE CORPORATION (MHESAC) BOARD OF DIRECTORS CONFERENCE CALL February 27, 2008

The Board of Directors of the Montana Higher Education Student Assistance Corporation convened via conference call on February 27, 2008 at 3:00 p.m.

CALL TO ORDER: The meeting was called to order at 3:00 p.m. by Vice Chair Royal Johnson.

ROLL CALL: Upon roll call, Fred Flanders, Royal Johnson, Lila Taylor, Mark Semmens and Bill Thomas were present. Stephen Barrett and Kerra Melvin were absent.

Officers Present:

Sheila Stearns, President (joined at 3:15 p.m.)
Bruce Marks, Treasurer

Others Present:

Jim Stipcich, SAF President
Jolene Selby, SAF EVP/Chief Financial Officer
Don Oliver, SAF EVP of Sales and Marketing
Lowell Wollitz, SAF EVP of Borrower Services
Scott Todorovich, SAF EVP/Chief Information Officer
Simon Poole, SAF EVP/Chief Operating Officer
Kelly Chapman, SAF EVP Foundation Activities
Sharon Eslick, Administrative Affairs Manager (Recorder)

Guests:

Jim Bell, SAF Board Chair
Mick Hanson, SAF Board
Ernest Bergsagel, SAF Board
Seamus O'Neill, Liscarnan Solutions
Suzan Scott, Governor's Budget Office

NOMINATING COMMITTEE UPDATE

Lila Taylor, Nominating Committee Chair, reported that Fred Flanders has agreed to be considered as a nominee to remain on the Board for an additional 3-year term. The Nominating Committee has forwarded this recommendation to Lynn Hamilton who will make the appointment as Chair of the Board of Regents.

UPDATE ON CURRENT SITUATION

Auctions were held on Tuesday and today as well as one scheduled for Thursday. The auction from Tuesday totaling \$71 million failed and the interest rate reset at 4.148%. The outcome of today's auction is not yet known but it is also expected to fail. The reset rate may be slightly higher than the reset on Tuesday.

Jim Stipcich reported that S&P had upgraded MBIA and AMBAC ratings earlier this week, however, the bond market has not reacted favorably to this upgrade. Sallie Mae was able to complete an FRN financing at Libor plus 80. This market in the past was running in the area of Libor plus 12. This continues to reflect the deterioration of the market.

Jim Stipcich and Jolene Selby have been working with the financing team to look at options for restructuring the auction bonds. A redemption of \$75 million in taxable auction bonds is planned. We hope to leave \$65 million in tax-exempt to keep the 9.5% characteristic. We will still have \$100 million of taxable left. A Request for Information has been submitted in hopes of obtaining available liquidity for VRDO. Items currently being considered are:

1. Plan to do a number of things to enhance our odds of getting liquidity.
2. We plan to talk to GIC providers about liquidity
3. Talking to regular liquidity providers
4. Talking to local providers
5. Looking at possibility of refunding \$300-\$500 million into a tax-exempt floating note. This is not currently being done in student loan area.
6. Refund \$175 million into convertible option bonds - long term bonds with mandatory put in 6-12 months.

This issue has received a tremendous amount of press recently and a great deal of time has been spent making sure the message to the public is accurate.

Staff is gathering information on Montana borrower benefits and has begun working on the analysis of what benefits we think we can afford, if any, in AY 08-09. The senior management has continued to look at opportunities to reduce costs in this unsure environment. As part of the upcoming budget process, the staff is working on strategic planning for the next fiscal year.

BOARD OF REGENTS TASK FORCE

The Board of Regents Task Force has finalized their list of recommendations to the Board of Regents and they will be discussed at their Regents meeting on March 5 and 6. Jim Stipcich will send a copy of the recommendations to the MHESAC Board.

ADJOURNMENT

The call was adjourned at 3:35 p.m.