

# MEETING SUMMARY

## MONTANA HIGHER EDUCATION STUDENT ASSISTANCE CORPORATION BOARD OF DIRECTOR'S CONFERENCE CALL

September 27, 2007

The Board of Directors of the Montana Higher Education Student Assistance Corporation (MHESAC) convened via conference call on Thursday, September 27, 2007 at 12:30 p.m.

### CALL TO ORDER

Chair Fred Flanders called the meeting to order at 12:30 p.m.

### ROLL CALL

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

#### Officers Present:

Sheila Stearns, President (joined at 12:35 p.m.)  
Mick Robinson, Vice President (joined at 12:35 p.m.)  
Judy Chapman, Secretary  
Bruce Marks, Treasurer

#### SAF Management Team:

Jim Stipcich, SAF President/CEO  
Jolene Selby, SAF Executive Vice President/Chief Financial Officer  
Lowell Wollitz, SAF Executive Vice President of Borrower Services  
Dennis Doherty, SAF Executive Vice President of Human Resources  
Scott Todorovich, SAF Executive Vice President/Chief Information Officer  
Simon Poole, SAF Executive Vice President/Chief Operating Officer  
Don Oliver, SAF Executive Vice President of Sales and Marketing  
Kelly Chapman, SAF Executive Vice President of Foundation Activities

#### Others:

Mike Reeslund, Dorsey & Whitney (joined at 12:35 p.m.)  
Lori Hultin, Administrative Affairs Coordinator  
Sharon Eslick, Administrative Affairs Manager (recorder)

**CALL FOR GENERAL PUBLIC COMMENT – No public comment was received.**

### UPDATE ON LOAN PURCHASE OPPORTUNITIES

Jim gave an update on the status of the proposed purchase of approximately \$925 million in non-Montana consolidation loans. The seller had notified us that \$122 million of the original portfolio could not be sold as originally proposed as it was encumbered in another trust. Because of this and difficulty in obtaining profitable short-term financing in the short time period, the deal did not occur and at this time has been deemed closed.

An option still exists for a smaller portfolio to be purchased from this company. They will be looking at the makeup and repricing of the portfolio in the next two weeks.

### **CONCERNS EXPRESSED BY THE GOVERNOR'S OFFICE**

Jim Stipcich updated the group that he was made aware that the Governor's office was concerned about the proposed purchase of loans. Sheila Stearns and Mick Robinson met with David Ewer and Jan Lombardi to discuss what the concerns were as did Member Barrett. Concern centered around the size of the deal, the taxable nature of the deal, the short time frame for completion and that the Governor's office was not made aware of the pending deal until late in the process.

The Board discussed the ongoing tension with the Governor's Office and agreed that more communication needs to be done the Executive branch. Jim Stipcich will continue to attempt to schedule a meeting with Mr. Ewer and Ms. Lombardi.

### **RECLASSIFICATION OF MHESAC TO A 509 (a)(2)**

As requested by the MHESAC Board, a request to the IRS has been prepared to reclassify MHESAC from a 509 (a)(3) to a 509 (a)(2) by Dorsey Whitney. The Board has expressed interest in this in order to provide flexibility in the board member selection process.

**MOTION: Member Melvin moved and Member Taylor seconded to submit the request to the IRS enabling the reclassification from 509 (a)(3) to 509 (a)(2) status. Motion carried.**

### **STATUS OF YEAR END AUDITS**

It was reported that the various year end audits are completed and staff is awaiting the arrival of final copies. Audit Committee meetings will be scheduled in the very near future.

### **NET LOAN RATE WAIVER**

Each taxable series of Auction Bonds has a maximum rate that can be paid on the bonds. This rate is known as the Net Loan Rate. The rate is determined by a formula based on the T-bill rate. Recent market aberrations make it likely that the Net Loan Rate in taxable financings may be reached or exceeded. If this occurs, bondholders will be paid the Net Loan Rate and the excess would be carried over and paid at a later time. Our broker dealers have asked us to consider a request of a waiver of the Net Loan Rate from the rating agencies. Several other issuers have made such a request and they have been granted.

**Motion: Member Johnson moved and Member Taylor seconded to request the 60-day waiver of net loan rate from the rating agency as described. Motion carried.**

### **NEXT MEETING DATES**

MHESAC will hold its next Board meeting on November 8 at 10:00 a.m. in Helena.

## **ADJOURNMENT**

Being no further business, the meeting adjourned at 1:40 p.m.