

MINUTES OF TELEPHONE CONFERENCE CALL MEETING
BOARD OF REGENTS OF HIGHER EDUCATION
MONTANA UNIVERSITY SYSTEM

DATE: December 3, 1991

TIME: 11:30 a.m.

LOCATION: Office of the Commissioner of Higher Education
33 South Last Chance Gulch
Helena, Montana

PRESENT IN THE COMMISSIONER'S OFFICE: Commissioner of Higher Education John Hutchinson; Regent Chairman Mathers; Regent Kaze

REGENTS PARTICIPATING BY TELEPHONE: Regents Schwanke; Johnson; Boylan;

REGENTS EXCUSED: Rebish; Topel

OTHERS PRESENT: Chief Counsel LeRoy Schramm; William J. Lannan, Director, Montana Guaranteed Student Loan Program; James Stipcich, Director, Montana Higher Education Student Assistance Corporation; William Johnstone, Bond Counsel, Dorsey & Whitney; Nick Fleur, Smith Barney

Chairman Mathers called the conference call meeting to order at 11:32 a.m. Roll call was taken and it was determined a quorum was present.

At the Chairman's request, Mr. Jim Stipcich, Director, Montana Higher Education Student Assistance Corporation (MHESAC) explained the purpose of the meeting.

Mr. Stipcich stated MHESAC sent background information (on file) to each of the Regents last week. The meeting today is to request the Board of Regents' approval for

Conference Call Meeting
December 3, 1991

documents that the Montana Guaranteed Student Loan Program (MGSLP) needs to execute in connection with MHESAC's 1991 loan acquisition financing. The MHESAC Board of Directors met earlier on this date and has approved \$123,800,000 loan acquisition financing in which MHESAC will be acquiring student loans guaranteed by MGSLP over the next three years. The Board of Regents are the guarantors through MGSLP. There are a number of documents that must be executed by the Board of Regents to provide the guarantees on the loans.

Mr. Stipcich reviewed the background report on the financing sent some time ago to the Board of Regents. Briefly, the 1991 financing will be in the amount of up to \$124 million. It is a tax-exempt variable rate transaction in which the interest rates will be set every seven days. That transaction will be secured by a letter of credit from Sallie Mae. The financing will run through 2016. In addition to the student loan revenue bonds, MHESAC will also be entering into a note with the Board of Investments to pay for costs of issuance of approximately \$2.2 million.

Mr. Stipcich stated the packet sent to the Board contained Item 74-901-R1291, Approval of the Respective Forms and Authorization of Execution and Delivery of a Guarantee Reserve Agreement; a Depository Agreement and a Guarantee Agreement; and Approval and Ratification of Two Guarantee Agreements and a Servicing Agreement. The Board of Regents in this meeting is asked to approve the item which approves the following documents:

Guaranty Reserve Agreement which is an agreement between MHESAC and the Board of Regents which assures MHESAC that the Board of Regents will keep a reserve fund available in the MGSLP in an amount equal to one and one-half percent of the amount of loans outstanding;

Conference Call Meeting
December 3, 1991

Depository Agreement between the Board of Regents and the Treasurer of the State of Montana;

Agreement to Guarantee Loans between the Board of Regents and First Bank (N.A.), Milwaukee, Wisconsin; and

Two guarantee agencies with the trustees involved in the financing.

In addition the Board of Regents is asked to again ratify the servicing agreement that it has ratified in the past between the guarantee agency and United Student Aid Funds, Inc.

Mr. Stipcich concluded his review of the documents, and responded to Regents' questions.

Regent Schwanke asked if there were essentially any new guarantees provided by the Board of Regents in this transaction. Mr. Stipcich responded there were not. The documents are substantially the same as those entered into in past transactions.

Regent Boylan expressed his basic discomfort with voting to approve such an offering because students borrowing the money have no assurance they will be able to repay the debt. He stated it was a basic philosophic position. Mr. Stipcich noted the loans being acquired under this financing are loans already made to students, and the students have entered into the debt obligation.

The Chairman called for other questions or comments.

Hearing none, Regent Kaze moved adoption of Item 74-901-R1291, approval of the respective forms and authorizations to execute and deliver the documents enumerated in the resolution. Roll call vote was taken. Regents Kaze, Johnson, Schwanke, and Chairman Mathers voted yes. Regent Boylan voted no. Regents Topel and Rebish were absent. The motion to approve carried.

Hearing no further business to come before the meeting, the meeting adjourned at 11:40 a.m. The next regularly scheduled meeting of the Board of Regents will be held on December 12-13, 1991 in Billings, Montana.

