

THE BOARD OF REGENTS  
OF HIGHER EDUCATION  
Montana University System

CONFERENCE CALL MEETING  
MINUTES

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**DATE & TIME OF CALL:** OCTOBER 14, 1993—2:30 P.M.

**LOCATION:** MONTANA HIGHER EDUCATION BUILDING  
COMMISSIONER'S OFFICE  
2500 BROADWAY  
HELENA, MONTANA

**REGENTS PARTICIPATING:** JIM KAZE (CHAIRMAN), PAUL BOYLAN, SHANE  
COLEMAN, PAT DAVISON, AND KERMIT  
SCHWANKE

**REGENTS NOT PARTICIPATING:** CORDELL JOHNSON AND COLLEEN CONROY

**PRESENT IN COMMISSIONER'S OFFICE:** COMMISSIONER'S OFFICE STAFF—ROD SUNDSTED,  
LEROY SCHRAMM, AND ROSE BOND

**OTHERS PARTICIPATING:** JIM ISCH (MSU), STEVE CLARK, MIKE MCCALL  
(BOND COUNSEL), TOM GIBSON

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Chairman Jim Kaze called the conference call meeting to order at 2:40 p.m. Roll call showed that a quorum was present. Chairman Kaze explained that the meeting was called for the Board approve the following item:

Item 81-201-C1093 (Montana State University); Bond Resolution for Forward Municipal Purchase Obligations, \$19,750,000, State of Montana, The Board of Regents of Higher Education, Montana State University, Facilities Refunding Revenue Bonds, Series B 1996

Regent Pat Davison said that Montana State University was bringing forward part of the bond issue that could not be refinanced due to tax and other laws and regulations. As a consequence, MSU sought out some new ideas and pursued a technique that deals with a forward contract funding. The Series A 1986 bonds are callable on November 15, 1996. Because interest rates are so low and the markets are such as they are, a limited number of investors are willing make a forward commitment to buy bonds on the call date in 1996. Therefore, rates that are lower than the current rate on the 1986 A bonds can be locked in for the new bonds to be

issued in 1996. The investors must be deemed creditworthy, and pre-established penalties will be agreed upon for the investors' failure to perform on the commitment to buy the bonds in 1996. By locking in the rate at this time, investors are basically gambling that rates will not be substantially different in 1996 than they are now—they may even be lower. Regent Davison stressed that no new money was involved in the transaction. This was only authorization for amounts necessary to forward refund the callable portion of the 1986 A Bonds, and the transaction would result in lower annual debt service.

Regent Schwanke asked whether the word "University" in the resolution should be replaced with "Montana State University."

Bond counsel Mike McCall referred to page 3 of the resolution, which indicated that the word "university" was synonymous with Montana State University throughout the entire document; he said it was a defined term.

Regent Davison pointed out that the issue would be done with a small handful of institutional investors only; it would not go out to the public.

Chairman Kaze said although the Board's approval would give the bond counsel the authority to put together a forward commitment transaction, they were not bound by that. For example, if they did not find the right institutional buyers or get the appropriate rates on the contract, they were not bound to enter into a transaction.

MSU Vice President of Administration Jim Isch said that was correct. A target present value savings of approximately 3 percent of the principal amount of bonds being refinanced was set as a guideline to complete the transaction.

Regent Davison asked Chief Legal Counsel LeRoy Schramm whether he had reviewed the documents.

Chief Counsel Schramm said he had reviewed them and was satisfied they were in order.

- ▶ **After brief discussion, Regent Davison moved that the Board approve Item 81-201-C1093. The motion passed unanimously.**

Chairman Kaze adjourned the conference call meeting at 2:55 p.m.

Mailed to the Board of Regents on

January 13, 1994  
(Date)

Rose M. Bond

Rose M. Bond  
Secretary to the Board of Regents

Approved by the Board of Regents on

January 20, 1994  
(Date)

Jim Kaze

Jim Kaze, Chairman  
Board of Regents of Higher Education

