

**THE BOARD OF REGENTS  
OF HIGHER EDUCATION  
Montana University System**

**CONFERENCE CALL MEETING  
MINUTES**

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**DATE & TIME OF CALL:** AUGUST 25, 1993—10:00 A.M.

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

**REGENTS PARTICIPATING:** JIM KAZE (CHAIRMAN), CORDELL JOHNSON,  
PAUL BOYLAN, SHANE COLEMAN, COLLEEN  
CONROY, AND PAT DAVISON

**REGENTS NOT PARTICIPATING:** KERMIT SCHWANKE

**PRESENT IN COMMISSIONER'S OFFICE:** COMMISSIONER'S OFFICE STAFF—JEFF BAKER AND  
ROSE BOND; MHESAC STAFF—JIM STIPCICH;  
GSL STAFF—BILL LANNAN, ROSEMARY  
HARMON, AND ARLENE HANNAWALT; MEDIA  
REPRESENTATIVE—BOB ANEZ

**OTHERS PARTICIPATING:** COMMISSIONER'S OFFICE STAFF—LEROY  
SCHRAMM (IN MISSOULA)

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Chairman Jim Kaze called the conference call meeting to order at 10:00 a.m. Roll call showed that a quorum was present.

MHESAC Director Jim Stipcich said the Board was meeting by conference call to approve the following:

**Item 80-901-C0893**

Approval of the Respective Forms and Authorization of Execution and Delivery of a Guarantee Reserve Agreement, a Depository Agreement and Two Guarantee Agreements; and Approval and Ratification of a Guarantee Agreement, a Servicing Agreement and Federal Reimbursement Contracts

Mr. Stipcich gave a brief summary of the item and reviewed the background material (on file) the Board received in the mail in advance of the meeting.

Regent Pat Davison was concerned that he had a conflict of interest by virtue of his employment with PaineWebber. He asked to what extent he could participate in the call.

Mr. Stipcich said that PaineWebber was not involved in the transaction. The only conflict he could foresee would be one involved with the secondary market, over which they had no control. A conflict could arise from a potential buyer perhaps working through PaineWebber to acquire loans in the secondary market.

Chief Legal Counsel LeRoy Schramm said that possibility was fairly tangential, and he didn't see a conflict because of the absence of PaineWebber's direct participation.

Regent Cordell Johnson said perhaps because of Regent Davison's concerns and because of the possibility that PaineWebber could become involved through some secondary manner, he should listen to the call but abstain from voting on the item because of a potential conflict of interest.

Regent Davison agreed and said he would abstain from any vote.

Mr. Stipcich said they would be issuing \$200 million of tax-exempt student loan revenue bonds. The bonds were fixed-rate bonds with maturities from 1994 through 2012. The purpose of the financing was to refund the 1991 student loan deal already in existence and provide about \$93 million of additional student loan acquisition monies. The deal would be a rated, stand-alone, fixed-rate financing. Mr. Stipcich said they were expecting an "AAA" rating on the senior bond series A and B, and an "A" rating on the bond series C. They also would be entering into an interest-rate swap on the series B bonds. He said they were pricing the bonds that day. The reason for the Board of Regents' participation was because of a number of agreements between MHESAC and the guarantee agency that were essential to the financing and related security. Mr. Stipcich said he would be glad to answer any questions.

For the benefit of the new Regents, Chairman Kaze pointed out that the guarantee agency was the Guaranteed Student Loan Program, and its director, Bill Lannan, was employed by the Board of Regents. From the Board of Regents' standpoint, Item 80-901-C0893 concerned Mr. Lannan and the GSL Program participating with MHESAC, a separate, private, non-profit corporation, to provide the guarantees for student loans that MHESAC acquired from those lenders.

Jim Stipcich said he also wanted to point out to the Board that under the Reauthorization Act of 1992, and also under the recently passed budget bill, it was

clearly stated that if for some reason a guarantor could not satisfy an obligation to cover any defaults that may occur in a given program, the Secretary of Education had the responsibility of satisfying that element, which would go directly to the lender.

Regent Johnson asked what the program's present default rate was.

Mr. Lannan said it was 3.14 percent for the past fiscal year. As of June 30, it was 2.69 percent. That was in comparison to the national average default rate of 8.5 to 9 percent.

Regent Johnson asked Chief Counsel Schramm whether he had reviewed the material and whether he recommended approval.

Chief Counsel Schramm said he had reviewed all the documents through the various stages and noted they had signed substantially similar agreements in the past to approve bond issues. He said he saw no reason not to proceed and recommended approval.

- ▶ **After further discussion, Regent Johnson moved that the Board approve Item 80-901-C0893. The motion passed unanimously. Regent Pat Davison abstained.**

Chairman Kaze adjourned the conference call meeting at 10:20 a.m.

