

MEETING SUMMARY

STUDENT ASSISTANCE FOUNDATION OF MONTANA (SAF) BOARD OF DIRECTORS MEETING November 8 and 9, 2007

The Board of Directors of the Student Assistance Foundation of Montana (SAF) convened at the offices of the Student Assistance Foundation at 4:00 p.m.

CALL TO ORDER: The meeting was called to order at 4:00 p.m. by Chair Jim Bell.

ROLL CALL: Upon roll call, Members Jim Bell, Ed Jasmin, Royal Johnson, Kerra Melvin, Ernest Bergsagel, Russ Ritter and Lila Taylor were present. Member Kim Cunningham joined the meeting at 4:15 p.m. Member Lynn Hamilton and Ex Officio Member Sheila Stearns were absent.

Officers Present:

Jim Stipcich, President
Mick Robinson, Vice President
Mick Hanson, Secretary

Others Present:

Don Oliver, Executive Vice President of Sales and Marketing
Lowell Wollitz, Executive Vice President of Borrower Services
Kelly Chapman, Executive Vice President of Foundation Activities
Dennis Doherty, Executive Vice President of Human Resources
Scott Todorovich, Executive Vice President/Chief Information Officer
Simon Poole, Executive Vice President/Chief Operating Officer
Sharon Eslick, Administrative Affairs Manager (Recorder)

BOARD DISCUSSION OF ITEMS IMPACTING STRATEGY

Jim Stipcich provided an update on the recent developments in the student loan industry.

- a. Overview of College Cost Reduction Act – Jim provided updates on the recent changes enacted as a result of the College Cost Reduction Act.
- b. Industry and Business Conditions and Impact on SAF and MHESAC – the Board also discussed the following items:
 - a. Response of Lenders to College Cost Act and Reduced Yields
 - b. Liquidity Crunch
 - c. D of E Proposed Rules
 - d. Sunshine Act and Reauthorization of the Higher Education Act
- c. Montana AG Report – Provided for information was a copy of the Montana Attorney General's Office Student Loan Survey Report issued in September, 2007. The report shows no evidence that deceptive or illegal conduct in the school loan industry is occurring in Montana.
- d. Regent's Task Force – An ad hoc work group consisting of Regent members Stephen Barrett and Todd Buchanan, Commissioner Sheila Stearns, Jim Stipcich

and Budget Director David Ewer has been formed to make recommendations to the Board of Regents regarding governance and accountability relative to MHESAC and the Montana Student Loan Program and Montana volume cap and its importance to Montana borrowers.

UPDATE ON MHESAC ITEMS

- a. MHESAC reclassification request to 509 (a)(2) – The request has been submitted to the IRS . No response to the request has been received.
- b. 9.5% Floor Loan Issue – Work has been completed to determine which loans will now comply. As a result, about \$40 million in MHESAC loans can no longer be billed at 9.5% leaving about \$65 million for 9.5% billing going forward.
- c. Tax-Exempt Financing – The MHESAC Board approved a preliminary bond resolution to proceed with the \$175 million tax-exempt bond financing. A public hearing is scheduled for November 21, 2007. It is anticipated that the financing will close prior to December 15, 2007.
- d. 2007 Montana Volume Cap – MHESAC will need to request an additional \$100 million in 2007 volume cap as well as request to use the \$75 million in carryforward that was awarded to MHESAC in 2006. The volume cap request is expected to be submitted to the Governor on November 21, 2007 following the public hearing.
- e. Borrower Benefits – Don Oliver provided an overview of the Montana Borrower Benefit Comparisons. The information showed the comparison of benefits offered prior to October 1, 2007 to those that will be offered now. In addition, a comparison of benefits being offered by MHESAC compared to other lenders was provided.

The meeting was adjourned at 6:00 p.m.

November 9, 2007

The Student Assistance Foundation Board of Directors reconvened on Friday, November 9, 2007 at 8:30 a.m. at the Student Assistance Foundation offices.

CALL TO ORDER: The meeting was called to order at 8:30 a.m. by Chair Jim Bell.

ROLL CALL: Upon roll call, Members Jim Bell, Ernest Bergsagel, Ed Jasmin, Royal Johnson, Lynn Hamilton, Kerra Melvin, Kim Cunningham, Russ Ritter and Lila Taylor were present. Ex Officio Member Sheila Stearns was absent.

Officers Present:

Jim Stipcich, President
Mick Robinson, Vice President
Mick Hanson, Secretary

Others Present:

Jolene Selby, Executive Vice President/Chief Financial Officer
Don Oliver, Executive Vice President of Sales and Marketing
Kelly Chapman, Executive Vice President of Foundation Activities

Scott Todorovich, Executive Vice President/Chief Information Officer
Dennis Doherty, Executive Vice President of Human Resources
Lowell Wollitz, Executive Vice President of Borrower Services
Simon Poole, Executive Vice President/Chief Operating Officer
Sharon Eslick, Administrative Affairs Manager (Recorder)

CALL FOR PUBLIC COMMENT - None

APPROVAL OF MINUTES - The minutes of the following meetings were presented for review:

- a. Summary of August 9, 2007 Joint Work Session with MHESAC

Motion: Member Jasmin moved and Member Ritter seconded to approve the summary as submitted. Motion carried.

- b. August 9, 2007 SAF Board Conference Call Minutes

Motion: Member Jasmin moved and Member Ritter seconded to approve the minutes as submitted. Motion carried.

- c. September 27, 2007 SAF Board Conference Call Minutes

Motion: Member Taylor moved and Member Bergsagel seconded to approve the minutes as submitted. Motion carried.

AUDIT COMMITTEE REPORT

Kim Cunningham provided an overview of the Audit Committee meeting held by conference call on October 23, 2007. The committee reviewed the following audits completed for the year ending June 30, 2007 for SAF and reported that no findings were made on any of the audits or reviews:

- Financial Statements
- SAS 70
- Exceptional Performer
- Agreed Upon Procedures for FFELP
- Operational Review of Loan Servicing
- MSLF Agreed Upon Procedures Report

Scott Todorovich reviewed the recommendations made on the SAS 70 report with respect to security. All items mentioned are currently being done or are being addressed.

Board Compensation – The Audit committee has asked that Jim Stipcich talk to Seamus O’Neill to see if he or someone else could undertake a study to look at the issue of Board compensation. The Committee would like to see a comparison of what is done on other boards and make sure that the right factors are considered. This should include the political environment, budget considerations and impact to individual board members.

MOTION: Member Jasmin moved and Member Melvin seconded to accept the Audit Committee report as presented. Motion carried.

EXECUTIVE COMMITTEE REPORT

Jim Bell gave an update on the activities of the Executive Committee. The committee discussed at length the possibility of 3-year contracts for the EVPs. This was approved and management formulated the contracts in the same form as the CEO contract.

MOTION: Member Bergsagal and Member Johnson seconded to affirm the actions of the Executive Committee. Motion carried.

PROGRAMS AND DEVELOPMENT COMMITTEE REPORT

- a. Endowment Policies - Provided for review were the proposed endowment policies for the SAF endowment fund. The objective of the fund is to provide an ongoing source of support for SAF's public benefit activities and shall not be used to support SAF operating expenses.

MOTION: Member Bergsagal moved and Member Melvin seconded to approve the concept in general, consider lowering the \$25,000 threshold, and approve the endowment policies as presented. Motion carried.

- b. Veterans Assistance - Four options for providing veteran's assistance were provided for discussion. Option #2, which is the preferred concept, is to pilot a bridge loan program to provide short-term no interest funds to student veterans. This will be funded by SAF and administered by the schools. A 1-3 year trial program up to \$40,000 a year is proposed.

MOTION: Member Jasmin moved and Member Ritter seconded to approve the establishment of a \$40,000 fund for a 1-3 year trial program.

SUBSTITUTE MOTION: Member Bergsagal moved and Member Taylor seconded to postpone action on this until the details can be fleshed out. Motion carried. The Programs Committee will flesh out option #2 and bring back the details on how the program will be administered.

BOARD GOVERNANCE ITEMS

- a. Update on ongoing efforts to address Board concerns from fall 2006 – Jim Stipcich indicated that efforts continue to work with the Executive branch to work through issues.

STRATEGIC ITEMS

- a. Overview of FY 08 YTD Accomplishments
 1. FY 08 OMTI Report – Simon Poole provided a written report and highlighted the progress made on goals.
 2. FY 08 YTD Strategy Checkup – Simon Poole provided an overview of the Strategy Checkup through September 30, 2007. This document provides a comparison of the progress of MHESAC, SAF and MSLF.

- b. Update on Recent Student Loan Spot Market Purchase Opportunities – Jim provided a document outlining the potential purchase opportunities in the non-Montana market.
- c. Revised FY 08 Volume Projections – Jim Stipcich gave an overview of the document provided. Jolene Selby provided a revised forecast for revisions to the original budget.
- d. Board discussion of changes to strategy as a result of College Cost Reduction Act – Jim provided an overview of the proposed strategy in the post October 1 environment. The Board will continue to be sensitive about what can be provided as public benefit given the business model of SAF.
- e. Timing of Proposed FY 08 SAF OMTI – Reviewed targets are being worked on and should be completed by the end of month.
- f. Timing of Proposed Revised FY 08 SAF Budget – Revised budget targets will be prepared by the end of December
- g. Timing of Proposed Revised FY 08 Programs Plan

Motion: Member Jasmin moved and Member Bergsagel seconded to encourage management to continue with its business plans and future development, be cognizant of changes in the market place but not shy away from opportunities. Motion carried.

OPERATIONS ACTION ITEMS

- a. New Facility Initiative – A fair amount of money has been invested in this project and we are consider what does means to the organization and to deal with it.
- b. Staff assessment of SAF – Sean Joyce joined the meeting by phone to go over the responses of the SAF staff assessment.
- c. EVP Team Self Assessment and Retreat – Review of results was also provided by Sean Joyce.

PUBLIC BENEFIT REPORTS

- a. Report on Kindergarten to College Workgroup – Two meetings have been held and the group advanced some concepts to the Board of Education to make sure that certain issues get addressed by the Board of Education. The two groups are working hard to find common ground.
- b. Report on SAF FY 08 Programs and Annual Giving Activities – Kelly Chapman provided a copy of the report, “Measuring Up 2006”. Included in the report was a summary of how Montana compares to other states. The SAF FY 2007 Annual Report was also provided.

BOARD MEMBER QUESTIONS ON ACTIVITY REPORTS

The following written reports were provided:

- a. Student Loan Generation and Servicing Only Business
 - FY 07 YTD Loan Generation Growth Efforts
 - FY 07 YTD Servicing Only Growth Efforts
 - FY YTD Loan Servicing Activity

- b. Management Reports
 - FY 07 YTD Financial Statements
 - CIS Activities
 - HR Activities
 - Communications Activities
 - Operations Divisions Activities

OTHER ITEMS FROM BOARD MEMBERS - None

UPCOMING MEETING SCHEDULE

- a. Conference call for December Montana tax-exempt financing will be scheduled the first week in December.

- b. Joint Work Session with MHESAC – January 2008

ADJOURNMENT

Being no further business, the meeting was adjourned at 2:00 p.m.