Vice President Batiste called the adjourned session of the regular State Board of Higher Education meeting of September 21, 1984, to order at 11:00 a.m., Prevailing Pacific Time, on October 9, 1984. The meeting was conducted by conference telephone connection. The following answered present:

- Mr. John W. Alltucker
- Mr. Alvin R. Batiste
- Mr. Gene Chao
- Mr. Randal D. Gill
- Mrs. Harriett J. Flanagan
- Mr. Edward C. Harms, Jr.
- Mr. Richard F. Hensley
- Mrs. Janet S. Hensley
- Mr. James C. Petersen

Absent: Mr. Richard S. Perry was out of the country; Miss Linda Walling was not available at the time the conference call was placed.

OTHERS PRESENT

Centralized Activities--Vice Chancellor W. T. Lemman; Secretary Wilma Foster; Controller Ross Hall; Vice Chancellor J. I. Hunderup; Tim Marsh, Information Director.

Others--Mr. James Shannon of Rankin, McMurry, Vavrosky & Doherty, Bond Attorneys; Michael Hosmar, Oregon Daily Emerald, University of Oregon.


The Vice Chancellor for Administration reported that at 8:30 a.m., Prevailing Pacific Time, on October 9, 1984, six sealed bids were received, pursuant to an advertisement authorized by the Board of Higher Education at its meeting on September 21, 1984, for the proposed sale of $3,220,000 State of Oregon, State Board of Higher Education Building Bonds, Series 1984 A. Present were Mr. Howard A. Rankin and Mr. James Shannon of Rankin, McMurry, Vavrosky & Doherty, Bond Attorneys; and Vice Chancellor W. T. Lemman and Controller Ross Hall of the Department of Higher Education. The bonds were to be sold at a price of not less than $98 for each $100 par value thereof. Bids received for the bonds were as follows:

<table>
<thead>
<tr>
<th>Name of Bidder</th>
<th>Total Net Interest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bankers Trust Company</td>
<td>10.4169</td>
</tr>
<tr>
<td>Foster &amp; Marshall/American Express</td>
<td>10.44773</td>
</tr>
<tr>
<td>Citicorp Capital Markets Group</td>
<td>10.48</td>
</tr>
<tr>
<td>Drexel, Burnham, Lambert, Inc.</td>
<td>10.578024</td>
</tr>
<tr>
<td>Morgan Guaranty Trust Company of New York</td>
<td>10.6745</td>
</tr>
<tr>
<td>Continental Illinois National Bank and Trust Company of Chicago</td>
<td>10.834951</td>
</tr>
</tbody>
</table>

*The name of the bidder is that of the company signing the bid form on behalf of a syndicate representing several banks and other underwriters.

Mr. Lemman indicated that three of the bids had to be disqualified because the bid security was insufficient. An additional bid was disqualified because the bidder failed to enter the interest rate for the last year of maturity on the bonds. He said two of the three bids disqualified for insufficient bid security were the two lowest bids. The third lowest bid was disqualified because it did not include the last year of maturity.

Board members discussed the range of the bids and the statutory maximum for interest payments. The maximum is 13%, and all of these bids were below that limit.
Mr. Lemman explained the factors affecting various options. The difference between the lowest bid, in terms of the total net interest cost, and the lowest acceptable bid was about $110,000. He indicated the Board had the right to reject all bids and recommended that the Board reject the bids and seek new bids at some future date. He said the bonds were to finance three projects, the largest of which will not be bid until late spring or early summer. The bond issue was proposed prior to the election because of the uncertainties with respect to Ballot Measure 2. If it should pass, a delay of at least 90 days due to litigation can be expected before a subsequent bond sale can take place. It might be possible to prepare a new resolution and have the sale prior to the November 6 election because most of the preliminary work has been done.

Mr. Lemman commented that the early maturities had an interest rate of 7% while those for later maturities ranged from 10.5% to 10.7%. For this reason, it would appear that the Board might wish to consider readvertising on a 20-year schedule and thus save not only the additional ten years of interest but receive a lower interest rate. He said there had not yet been an opportunity to discuss these options with the Office of the State Treasurer.

Staff Recommendation to the Board

It was recommended that all bids be rejected and that the staff be directed to examine the possibility of readvertising bids for sale within the next four weeks on a 20-year maturity schedule.

In response to a question concerning costs for bond counsel, it was indicated the costs would be minimal because much of the work had already been done. In addition, the potential savings would more than offset any additional costs for counsel.

Upon motion by Mr. Harms and second by Mr. Petersen, the Board approved the staff recommendation as presented. On roll call vote, the following voted in favor: Directors Alltucker, Chao, Gill, Flanagan, Harms, Hensley, Nelson, Petersen, and Batiste. Those voting no: None.

The meeting was adjourned to a time and place to be announced by the Secretary of the Board. It was determined subsequently that it would not be possible to readvertise for bids within the next four weeks. Therefore, no further meeting was called.

ADJOURNMENT

The Board meeting was adjourned at 11:15 a.m., October 9, 1984.

Louis B. Perry, President

Wilma L. Foster, Secretary