



2500 Broadway
Helena, MT 59601
(406) 495-7800
(406) 495-7880 Fax

May 5, 2017

The Honorable Timothy Charles Fox
Attorney General, State of Montana
215 N Sanders St.
Helena, MT 59601

Re: Student Assistance Foundation of Montana

Dear Attorney General Fox:

This letter constitutes a notice under M.S.A. § 35-2-617(7)(a) that Student Assistance Foundation of Montana ("SAF"), a Montana nonprofit public benefit corporation, plans to dispose of a significant asset other than in the ordinary course of business. It is proposed that the office building located at 2500 E. Broadway Street in Helena Montana and currently owned by, and used as the corporate office of, SAF be sold to St. Peter's Hospital (also a nonprofit organization) located in Helena Montana.

SAF is an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), and is a supporting organization, within the meaning of section 509(a)(3) of the Code, of Montana Higher Education Student Assistance Corporation (MHESAC), which is described in section 501(c)(3) of the Code. The primary revenue generating activity of SAF is serving as the contracted manager of MHESAC and Master Servicer of student loans owned by MHESAC. The President of MHESAC appoints the majority of SAF's Board of Directors.

Since SAF became an operational student loan servicer in 2000, MHESAC has been its largest client. Between 2000 and 2010, SAF also took on new clients and had grown to a level of over \$4 billion of serviced loans and employed as many as 256 employees. However, in 2010 President Obama signed the Health Care and Education Reconciliation Act of 2010 ("HCERA"). HCERA terminated the authority of lenders, such as MHESAC, to make new FFELP loans. Now the federal government directly originates federal student loans under the Federal Direct Loan Program. Effective July 1, 2010, MHESAC ceased originating FFELP loans. Correspondingly, the volume of loans SAF serviced for MHESAC as well as its other FFELP clients continued to decline to the point that it was no longer feasible for SAF to remain in the servicing business. SAF closed its student loan servicing operation in 2016. As a result, SAF is now down to 32 staff members, of which 20 employees are housed in the building located at 2500 Broadway.

The building at 2500 Broadway totals 56,024 square feet total. SAF currently leases space in the facility to two tenants in the facility (Office of Commissioner of Higher Education and the Montana Guaranteed Student Loan Program), with these leases expiring in late 2018.

These tenants currently rent 21,772 square feet, leaving 34,252 square feet housing the remaining 20 SAF employees located at this address. SAF does not anticipate that it will grow to previous staffing levels any time in the near future. As part of its downsizing SAF did discuss whether the facility should be retained with SAF becoming a landlord or whether the sale of the facility would produce cash that SAF could put to work in other ways more closely aligned with its mission. SAF held discussions with several interested and/or knowledgeable parties to obtain a sense of the likelihood of successfully leasing this amount of space long-term. Many concerns with such were identified, including competition from other large available office space, tenant turnover and costs to maintain. SAF held discussions with several interested and/or knowledgeable parties to obtain a sense of the market value of the facility and they consistently indicated a significant discount from full appraisal would be likely, given the large amount of unleased space in the building. The appraiser used by SAF was consulted and he indicated that values established in an appraisal are not an absolute indicator of the price one can obtain for a property in the open market. It was his opinion that any offer within a reasonable margin of appraised value is certainly a viable offer and a very reliable indicator of fair market value of the property. In the end, SAF decided that, if a purchaser of the property at a price near its appraised value could be found, a sale would be attractive and would be considered by the Board.

St. Peter's Hospital approached SAF about its interest in 2500 Broadway in early 2017, and St. Peter's Hospital delivered an offer on March 9, 2017. The original offer was for \$7.3 million and the Board gave authority to SAF's Management to negotiate with St. Peter's Hospital with the guidance to Management that SAF was looking for a sale price closer to the \$8.4 million appraised value of the facility (see SAF's most recent appraisal attached). Several rounds of negotiations were held between the parties and a final offer from St. Peter's for 2500 Broadway in the amount of \$7.95 million for the facility, contingent upon review of the transaction by the Montana Attorney General was received. Once the final offer was received, the SAF Board was solicited by SAF Management as to its concurrence or objection to the execution of a buy-sell at that price, and unanimous concurrence of SAF Board members was obtained. Copies of the Minutes of Board Activity related to this transaction are attached.

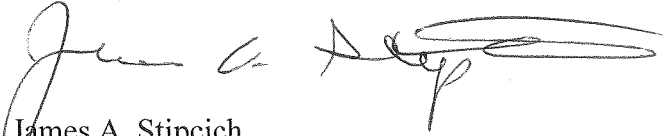
The purchase price offered for 2500 Broadway (\$7.95 million) is within 6% of SAF's latest appraised value for the building, land and improvements. SAF believes that the offer from St. Peter's Hospital is the best offer that we can expect from any potential buyer, as the facility will easily become a part of St. Peter's campus and it has uses for the space. Given the status of the Helena real estate market and the large amount of unleased space in the facility, SAF believes this is a fair offer for the property. Attached is a copy of the final Buy/Sell Agreement between SAF and St. Peter's Hospital. SAF is not aware of any conflicts of interest between SAF and St. Peter's Hospital either at the Board or management level.

There is currently a mortgage on the building with Valley Bank. As of April 4, the balance on that mortgage was \$3,770,711.51, which would be satisfied in full through sale proceeds. Please see copy of the most recent mortgage statement attached.

It is expected the transaction will produce net sale proceeds to SAF (after costs of relocating and satisfying the mortgage) of approximately \$4.0 million. The SAF Board has not yet adopted a plan for use of these proceeds but expects to develop a plan for usage that is consistent with its not-for-profit status. It is expected that work will occur over the next few months. It is expected the net proceeds of the transaction will be held in a SAF Board Designated Reserve until a formal plan for use of the proceeds has been established by the SAF Board.

We appreciate your prompt review of this proposed transaction and request a written waiver of M.S.A. § 35-2-617(7)(a) for the transaction. We stand ready to answer questions and provide any additional information that you need to assess the proposed transaction. Please feel free to contact Jim Stipcich (jstipcich@safmt.org or 495-7300) or Jolene Selby (jselby@safmt.org or 495-7401) with any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Stipcich". The signature is fluid and cursive, with a long horizontal stroke at the end.

James A. Stipcich
President
Student Assistance Foundation

Attachments:

1. Purchase and Sale Agreement dated April 26, 2017
2. Real Estate Appraisal Report dated July 15, 2015
3. Board Minutes and Summary of Board Action
4. Valley Bank mortgage statement dated April 4, 2017

C: Kelley Hubbard, Assistant Attorney General