
**MINUTES OF A MEETING OF
THE AUDIT COMMITTEE OF
THE MEMBERS OF THE HIGHER EDUCATION LOAN AUTHORITY
OF THE STATE OF MISSOURI
ON JUNE 8, 2007**

The Audit Committee of the Higher Education Loan Authority of the State of Missouri, a public instrumentality and body politic and corporate under the laws of the State of Missouri (the "Authority"), held a meeting on Friday, June 8, 2007 at 8:00 a.m. at the office of the Authority, located at 633 Spirit Drive in Chesterfield, Missouri. Proper notice of the meeting was forwarded to the State for publication, mailed and otherwise provided to the Audit Committee, posted at the office of the Authority and on the Authority's website in advance of and during the meeting and provided to certain other individuals. On a roll call of the meeting, the following members of the Audit Committee were found to be present in person unless otherwise stated:

Present

Dr. Robert Stein
Mr. W. Thomas Reeves

Absent

Mr. John W. Greer

A quorum of the members of the Audit Committee was present for the purposes of conducting business. Present in person and representing the staff of the Authority were Mr. Raymond H. Bayer, Jr., Executive Director, Chief Executive Officer and Assistant Secretary; Mr. Scott D. Giles, Director of Finance/Chief Financial Officer; Mr. William C. Shaffner, Director of Business Development; Ms. Mary J. Stewart, Director of Loan Origination and Servicing; Mr. Quentin C. Wilson, Associate Director of Access and Success; Ms. Susan B. Crump, Assistant Director of Administration; Ms. Penny J. Hagan, Assistant Director & Controller; Mr. Harry W. Lohse, Assistant Director of Information Systems and Information Security Officer; Dr. James L. Matchefts, General Counsel; Ms. Janet Saulich, Internal Auditor; Ms. Claire Lee, Internal Audit Analyst; Mr. Mick Ramer, Manager of Loan Servicing and Reconciliation; and Ms. Alison Carter, Paralegal. Also present were Mr. Michael F. Lause and Ms. Lisa K. Thorp of Thompson Coburn LLP, Special Counsel to the Authority; Dr. Lynn Walker of Boundary Management Consulting; Ms. Kristin Borchardt, Mr. Doug Paley and Ms. Brandi Wilson of Deloitte & Touche; Ms. Zora AuBuchon of the Missouri Department of Higher Education; Mr. Todd Smith of the Missouri Governor's Office; and Mr. Dustin Allison of the Missouri Attorney General's Office. Ms. Carter of the Authority staff assisted Mr. Bayer in taking minutes of the meeting. Mr. Reeves acted as Chair of the meeting and Mr. Bayer acted as Assistant Secretary.

Call to Order and Scope and Procedures of the Audit Committee

The Chair called the meeting to order at approximately 8:00 a.m. and asked if there were any public comments. There being none, he stated that the next item on the agenda was a discussion, review and possible vote regarding the overall scope and procedures for the newly formed Audit Committee (the "Committee"). The Committee discussed the Committee Charter (the "Charter") distributed prior to the meeting and agreed that: (i) the

Charter should be revised to state that the Committee should meet "at least" semi-annually; (ii) the Committee meetings should be scheduled near the midpoint between the quarterly board meetings; and (iii) the last sentence of the Charter should be deleted. The revised Charter is attached hereto as Exhibit A. The Committee also ascertained that the search for a qualified financial auditing firm three year timetable would renew Fiscal Year 2008.

Fiscal Year 2008 Budget

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding the Fiscal Year 2008 budget. Mr. Bayer stated that in the current Policy Governance Manual there is no requirement to submit a General and Administrative Budget (the "G&A Budget") to the Members prior to the next fiscal year for their approval. He further stated that he would recommend that such requirement be added to the Policy Governance Manual. The Committee concurred with this recommendation.

The Committee discussed (i) the assumptions used to formulate the line items; (ii) the fiscal impact of the recently passed Senate Bill 389; and (iii) the impact of the Lewis and Clark Discovery Fund distributions on the Authority's budget. Dr. Stein suggested that the Authority staff contact Mr. Paul Wagner to further refine the Authority's assumptions as related to the interest rate credits from the accrual of monies in the Lewis and Clark Discovery Fund. The Committee also discussed the staffing and compensation projections for the upcoming fiscal year and reviewed the line items of the G&A Budget. The Committee agreed to recommend the Fiscal Year 2008 G&A Budget to the Members.

Deloitte and Touche, LLP

The Chair stated that due to time constraints, the next item on the agenda was the discussion and overview of the relationship with Deloitte & Touche LLP ("D&T"). Mr. Bayer introduced Ms. Kristin Borchardt to the Committee. Ms. Borchardt stated that she, along with Ms. Brandi Wilson and Mr. Doug Paley, were the D&T auditing team for the Authority. She provided a Fiscal Year 2007 Summary of Audit Plan to the Committee, attached hereto as Exhibit B. The Committee clarified that D&T was completing its first year of the three year contract cycle and that audit reports would be delivered directly to the Committee.

Fiscal Year 2008 Internal Year Audit Plan

The Chair stated that the next item on the agenda was the discussion, review and possible vote on a recommendation to Authority Members regarding the Fiscal Year 2008 internal audit plan. He noted that due to time constraints, the Committee would rely on the internal audit plan as presented in the Committee materials distributed prior to today's meeting. The Committee agreed to recommend the Fiscal Year 2008 internal audit plan to the Members.

Borrower Benefit Programs

The Chair stated that the next item on the agenda was the discussion, review and possible vote on recommendation to Authority Members regarding the process for managing the Arbitrage Rebate Liability Reserve (the "Reserve"). He stated that administration of the Reserve was management's responsibility but that the Committee should be informed if the Reserve becomes low. The Committee agreed that increasing borrower benefit programs should be presented to the Committee with utilization and impact data so that the Committee can adequately review such new programs.

Adjournment

The Chair reviewed that the asked if there were any additional items and, hearing none, he adjourned the meeting at approximately 9:46 a.m.

Approved:



Raymond H. Bayer, Jr.
Assistant Secretary